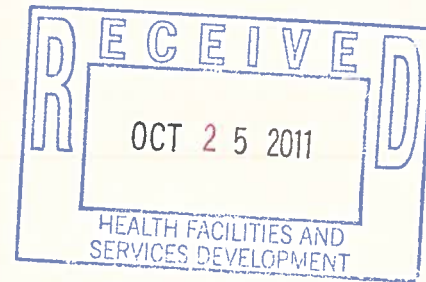




October 21, 2011



Ms. Beverly Brandt, Chief
Bureau of Health Facilities and Services Development
Department of Health and Environmental Control
2600 Bull Street
Columbia, SC 29201

Re: Gentiva Certified Healthcare Corp. d/b/a Gentiva Home Health CON for Beaufort County

Dear Ms. Brandt,

Gentiva Certified Healthcare Corp. d/b/a Gentiva Home Health (Gentiva) is pleased to have the opportunity to provide you with supplemental information responding to the Project Review Meeting held on October 11, 2011. In this submission, Gentiva will provide you with additional supportive information that confirms that Gentiva offers the best proposal to meet the needs of Beaufort County. In addition, we will provide you with a comparative analysis that demonstrates Gentiva best meets each of the Project Review Criteria determined by DHEC to be most important to this review.

We are glad to provide any further information that you need to make your decision or answer any questions you may have about our project.

Sincerely,

A handwritten signature in cursive script that reads "Susan Benoit".

Susan Benoit
Regional Vice President
Carolinas Region

Cc: John Beach
Kathy Platt
Tori Tibshrany

00631

Gentiva Certified Healthcare Corp. d/b/a Gentiva Home Health
CON Application to Serve Beaufort County
Supplemental Information

Gentiva Certified Healthcare Corp. d/b/a Gentiva Home Health (Gentiva) is please to provide the following information that continues to demonstrate that it is the best applicant to meet the need identified in the 2010-11 State Health Plan for Beaufort County.

- Patient satisfaction scores
- Quality indicators
- Detailed description of service offerings
- Additional letters of support
- Response to questions raised at the Project Review Meeting
 - Why is there a need in Beaufort County and how will Gentive meet this need?
 - Need for pediatric services
 - Response to Senate Inquiry
- Summary of why Gentiva is the best applicant.

Patient Satisfaction

During the Project Review Meeting and in the original CON filings, Gentiva provided a significant amount of information regarding their quality initiatives and leadership within the home health industry. Another measure of Gentiva's quality is our patient satisfaction performance, which is measured and benchmarked by Deyta.

Gentiva consistently measures high in patient satisfaction. For year to date August 2011, Gentiva's home health agencies achieved 94.8 percent satisfaction for South Carolina, 95.1 percent satisfaction for the Carolinas Region, and 94.7 percent nationally. These score exceed the national benchmark for all home health agencies nationally of 93.8 percent.

These scores not only confirm Gentiva's quality and patient centered care but also the consistency of agencies across the country. This level of consistency can be achieved because Gentiva owns and operates all of its agencies, as opposed to franchising or using management contracts.¹ Gentiva also uses all employed staff to the greatest extent possible and does not propose any contract staff in Beaufort County. This allows for Gentiva to recruit and train all staff to further ensure consistent high quality care and patient satisfaction.

Quality Indicators

Gentiva can say we provide the best care for patients all day long, but it wouldn't matter if we couldn't have that confirmed by the leading experts in our industry. That expert in home healthcare is CMS, who chose us to be part of their Home Health Quality Initiative. This is a

¹ SJC Home Health proposes to use a management company for their Beaufort County agency but that management contractor has not been identified. Interim agencies are franchised and quality, service offerings, and a host of other operating parameters vary by the franchisee.

two-year campaign to focus on the best practices to reduce avoidable hospitalizations. We have also been selected to be part of the Care Transitions project. This project is working with respected researchers to identify critical areas for avoiding hospitalizations. One thing that we have found as we near the halfway point of this project is that home healthcare and hospice care are underutilized.

Care Transitions Initiative - Over the past year, Gentiva has collaborated with the Alliance for Home Health Quality and Innovation (www.ahhqi.org) and several other home health companies in the Home Health Quality Improvement (HHQI) campaign. In a similar effort, the Alliance has been working with CMS in a care transitions demonstration project to highlight the goals of ensuring the delivery of high-quality care and helping patients with heart failure and their families through healthcare transitions. Gentiva has been pleased to be part of the CMS demonstration project in Florida and Georgia, and we, along with the Alliance members, believe that home health's sophisticated clinical capabilities and engagement directly with patients in their own homes are important aspects to patient care transitions, which ultimately lead to the reduction of avoidable hospitalizations and thus providing cost savings to the overall health care delivery system.

Gentiva University – Gentiva is dedicated to continuing education and having clinicians who are constantly learning and advancing their skills. That's why we created Gentiva University. It was the first in our industry and won a CUBIC award. It is accredited by the American Nurses Credentialing Center's COA. And today it offers more than 240 clinical courses with more than 150 of them fully accredited.

Additional Description of Service Offerings

During the Project Review Meeting, Gentiva outlined all of the basic service offering proposed for Beaufort County as well as two of its specialty programs that it proposes to bring to area. These specialty programs include the SafeStrides® and Cardiopulmonary Programs. Gentiva also described its long established Telemonitoring program with existing infrastructure already in place. Gentiva would like to take this opportunity to describe more detailed service offerings not covered during the limited presentation time. These services include but are not limited to the following:

Skilled Nursing

- CHRONIC DISEASE MANAGEMENT – Heart Failure, COPD, Diabetes, Strokes, etc
- WOUND CARE – Advanced wound care and supplies; negative-pressure wound treatment
- BOWEL AND KIDNEY CARE – ostomy care; Foley and supra-pubic catheter care
- IM/SUBQ INJECTIONS – administer injections; manage side effects
- INFUSION – IV administration; instruct patient/family on safe management in the home
- MEDICATION MANAGEMENT – instructing patient/family in compliance with meds, side effects
- CARE OF GI TUBES- PEG, NG, J, etc – instruct patient/family in ongoing maintenance
- TRACHEOSTOMY CARE- administer and instruct patient/family in ongoing maintenance

- ANTICOAGULANT MONITORING - SN has ability to utilize point of care device with immediate results
- TELEMONITORING – individualized based on patient needs

Physical Therapy:

- POST JOINT REPLACEMENT
- INDIVIDUALIZED HOME EXERCISE PROGRAMS – improve strength, endurance, balance, mobility
- SPECIALIZED SAFE STRIDES/BALANCE PROGRAM – improve balance and fall prevention
- ASSISTIVE DEVICE TRAINING

Occupational Therapy

- ADL RETRAINING – improve self-care ability
- RECOMMEND AND TRAIN – effective use of adaptive equipment, home environment changes

Speech/Language Pathologist:

- EXPRESSIVE LANGUAGE- improve oral expression, articulation
- SWALLOWING – assess and treat swallowing disorders, feeding skills

Medical Social Worker:

- Assist in accessing community resources

Home Health Aide:

- assist with personal care needs

Tele-monitoring

Since 2002, Gentiva has used tele-health technology as a clinical management tool to enhance the delivery of care every day of the week. Through our company-owned tele-health center, we incorporate a first-line triage strategy that focuses on intervention and prevention. We have been recognized as a vendor of choice by Honeywell® HomMed since 2002. However, we also have significant experience working with other tele-health providers that many of our large accounts deploy, including VA hospitals and teaching institutions.

We make the installation of the tele-health monitoring equipment seamless to our patients and have significant expertise to demonstrate and monitor patient use. By monitoring physiological parameters and the disease management process, our patients have a sense of empowerment and experience increased self-efficacy. Among our thousands of tele-health patients, we see improvements in adherence to medication regimens, diet and lifestyle changes, and knowledge of symptomology and risk factors.

Letters of Support

At the Project Review Meeting, Gentiva highlighted that it had the greatest level of support from hospitals both within the service area and in the adjoining markets where Beaufort County residents travel for care. In addition, Gentiva has submitted letters from service area physicians, community leaders and political leaders representing Beaufort County. With this submission, we are providing 65 additional letters of support for a total of 87 letters submitted to date.

Attachment 1 to this document provides an up-to-date letter of support index summarizing all letters filed to date including those provided with this submission. Attachment 2 provides additional letters of support.

The 87 letters of support provided by Gentiva from a wide variety of referral sources fully support the need and utilization projected by Gentiva. Gentiva's support includes:

- 5 acute care hospitals
- 1 inpatient rehabilitation hospital (HealthSouth - Charleston)
- 10 individual ALFs, SNFs or senior residential communities (multiple letters from some facilities/communities)
- 2 outpatient rehabilitation centers
- 11 physicians from Beaufort County
- 23 physicians serving Beaufort County residents in markets where Gentiva is already present
- South Carolina Chapter of the Alzheimer's Association
- 5 South Carolina legislators

The wide ranging support from hospitals, confirms that Gentiva will be able to meet the needs of post-acute discharge patients wherever they receive their inpatient care. In addition, letters from hospitals and other types of facilities including skilled nursing facilities (SNFs) and assisted living facilities (ALFs) confirm that Gentiva as an independent provider of home health services will not be perceived as competition for these referral sources. This situation is in stark contrast to applicants such as SJC Home Health, which is a division of a competing acute care hospital, and NHC Home Care and United Home Care, which both operate as divisions of long term care companies directly providing skilled nursing services in Beaufort County.

In Gentiva's experience, the majority of referrals come from facilities either as a post-acute discharge, a post SNF discharge, or assistance to seniors residing in an ALF. As a result, the approval of an applicant closely aligned with either a competing hospital or nursing facility, will be unlikely to receive referrals from all sources within the Beaufort County service area. Thus, Gentiva's project is more accessible to a wider range of patients than these competing applications.

Responses to DHEC Questions during Project Review

Need in Beaufort County

At the Project Review Meeting, Mr. Shelton asked each applicant to explain why they thought there was a need in Beaufort County and how they expected to meet that need. To respond to Mr. Shelton's question in writing, Gentiva believes that the need exists in Beaufort County because of a number of geographic and demographic factors. As described in the original application, the population of Beaufort County is very old by comparison to other parts of South Carolina. Thus, the needs are much greater than most counties considering that most home health services are provided to senior adults.

The multiple islands and waterways in Beaufort County make travel for care difficult complicating service to all parts of the county. The county is also very diverse from the densely populated Hilton Head Island with an influx of vacationers and part-year residents to the much more rural parts of northern Beaufort County including Yemasee. Gentiva has identified three zones (groupings of ZIP codes) for projected utilization and staffing that reflect three basic geographic regions of the county. These zones also capture the diversity of demographic and economic factors impacting the demand for home health in the county.

Not only is the density of population varied but the economic resources are varied as well. The southern part of the county has significantly higher income levels, with the central county more moderate, and the northern portion demonstrating a higher level of persons living in poverty. Exhibit 1 summarizes the average income levels and percent of poverty for each of the three zones. There is an 84 percent variance between the average household income levels in the South Zone versus the North Zone, with the Central Zone right in the middle. Similarly, the percent of households in poverty is almost a third in the North Zone and a minimal 6 percent in the South Zone. Thus, the payor mix for these communities will vary significantly as well as their needs.

Exhibit 1
Analysis of Income and Poverty in Beaufort County
By Zone²

	Average HH Income		Percent Poverty	
	2011	2016	2011	2016
North Zone	\$47,321	\$48,930	29.8%	29.2%
Central Zone	\$60,426	\$62,121	13.3%	13.0%
South Zone	\$87,485	\$88,777	6.4%	6.3%

Source: Claritas Marketplace

Given the diversity in economic status of Beaufort County residents, the approved home health provider must project a significant level of Medicare, Medicaid, and Charity care to meet the needs of medically underserved populations. Gentiva projects the largest percentage of care to these three payor groups of all the competing applicants.

Racial and ethnic diversity is also an issue in serving all parts of Beaufort County as shown in Exhibit 2. Using the same zones for analysis, the population of Beaufort County ranges from just over 15 percent non-white in the South Zone to approximately 65 percent in the North Zone. The percent Hispanic is similarly contrasting with only 3 to 4 percent in the North Zone to 13.8 percent in the South Zone. This percentage is expected to grow to 16 percent by 2016. These Hispanic residents typically include workers supporting the significant tourism and service industries clustered on Hilton Head Island and adjoining areas. Thus, bi-lingual staff and translated materials are most important for the South Zone.

Exhibit 2
Minority Populations and Ethnicity in Beaufort County
by Zone

	Percent Non-White		Percent Hispanic	
	2011	2016	2011	2016
North Zone	67.0%	64.5%	3.0%	3.8%
Central Zone	36.9%	35.4%	7.9%	9.1%
South Zone	15.7%	15.5%	13.8%	16.0%

Source: Claritas Marketplace

²North Zone includes ZIP codes 29940 Seabrook, 29941 Sheldon, and 29945 Yemassee.

Central Zone includes ZIP codes 29902 Beaufort, 29906 Beaufort, 29907 Ladys Island, 29920 Saint Helena Island, and 29935 Port Royal.

South Zone includes ZIP codes 29909 Okatie, 29910 Bluffton, 29915 Daufuskie Island, 29926 Hilton Head Island, and 29928 Hilton Head Island

Gentiva is prepared to meet the needs of all residents of the service area accommodating their racial and ethnic needs and differences. As presented at Project Review, Gentiva already has all patient materials translated into Spanish as well as other languages. Gentiva will also hire bilingual staff to ensure the needs of all Beaufort County residents are met.

Gentiva has also planned its staffing needs and office location to ensure access to all parts of the county based on a thorough analysis of the various communities that comprise Beaufort County. Based on its experience in serving other coastal communities including Savannah, Charleston, and the Grand Strand, there is no need to have three offices to serve Beaufort County. With appropriate staffing plans, the need can be met by one centrally located office. Three offices simply adds overhead and administrative costs. Travel time analysis is only marginally meaningful because clinical staff are not driving from the office to the patient in most instances. They do not need to visit the office even every day. They are typically driving from their home to visits and from patient residence to patient residence, which is why zone staffing is critical to meet the needs of the county.

Beaufort County is also unique in its sizeable level of seasonal population. In the winter, a number of part year residents, typically retirees, migrate to Beaufort County for its moderate winter weather. In the winter months, Beaufort Counties population swells by over 10,000 residents. These individuals are not included in the need calculation in the State Health Plan.³ Thus, the need for home health services is even larger than identified by the Plan. This seasonal population is an important consideration in planning for health care services as recognized in the acute bed need chapter of the Plan. Gentiva has recognized this need and considered the seasonal population in projecting to serve the largest number of Beaufort County residents during the first three years of population.

Gentiva is the applicant that has best documented the diverse needs of Beaufort County, located their office appropriately, planned their staffing to serve all parts of the County, and projected the payor mix to serve all patients regardless of ability to pay.

Demand and Projected Utilization

Mr. Shelton also asked about Gentiva's high projected utilization in years 1 through 3. Gentiva's projected utilization is based on both analysis of the market and experience in serving South Carolina. First, Gentiva's projections considered that the need in the State Health Plan is simply a minimum threshold. The actual demand in the market will continue to grow beyond the 2011 identified need to the 2014 third year of operation. Gentiva has taken into consideration this population growth.

In addition, the need in the State Health Plan is based on only 75% of the statewide use rate. This is again, just a minimum threshold. Gentiva expects that its local education and outreach efforts and plans to serve all parts of the county will result in an increase in

³ Beaufort County Comprehensive Plan, Chapter 3 Population and Demographics

the county use rate not just to 75% of the statewide average rate but to 82% of the statewide average rate by the third year of operation. Given the aging of the population in Beaufort County, it is reasonable to reach 82% of the statewide average rate.

Not only are these demand projections fully encompassing of all demand factors, Gentiva's utilization projections are based on actual growth experience in South Carolina. As presented below as Exhibit 3 and at project review, the growth in utilization at Gentiva's existing agencies in South Carolina supports the projected growth in utilization for Beaufort County. These data are presented again below.

Exhibit 3
Historical Growth of Gentiva SC Home Health Agencies

Agency	2009	2010	1 Year Change
Gentiva Home Health - Greenville	2,845	3,216	371
Gentiva Home Health - Gaffney	3,030	3,360	330
Gentiva Home Health - Charleston	300	562	262
Gentiva Home Health - Myrtle Beach	1,334	1,511	177
Gentiva Home Health - Columbia	1,624	1,520	(104)

Source: 2009 and 2010 JARs

The one year growth in utilization experienced by Gentiva supports the projected utilization for Beaufort County of 281, 392, and 505 patients served in each of the first three years of operation, respectively.⁴

Pediatric Services

At the Project Review Meeting, all applicants were asked about whether they propose to serve pediatric patients. Gentiva does not propose to serve pediatric patients. This is not a service line that Gentiva has developed as a specialty. The needs of pediatric patients are highly unique and require specially trained staff and equipment. This area has not been a focus for Gentiva and while we could claim to offer the service, Gentiva will not provide a service that they cannot document they will provide with the highest level of quality.

While some applicants may claim they will provide this service, they have not documented that they have the staff, equipment and specialized expertise to meet this need, thus in a sense it is not a meaningful solution to the needs of the area. Furthermore, the need for this service is small. Pediatric home health is a small market throughout the state but in Beaufort County in particular, the population is significantly older than the rest of the state.

⁴ A 30% re-certification rate for Medicare patients has been assumed.

Another consideration is the provision of this service by existing providers. Exhibit 4 summarizes the 2010 utilization of existing Beaufort County home health agencies by pediatric patients. In 2010, Alere Women's and Children's Health LLC – Midlands, a dedicated women's and infants home health agency served 38 patients in Beaufort County with 156 patient visits. In addition, three of the existing general home health agencies in Beaufort County reported serving pediatric patients age 0 to 17.

Exhibit 4
Pediatric Utilization in Beaufort County

Agency	Patients	Visits
Amedisys Home Health Of Hilton Head	34	768
Beaufort-Jasper Home Health Agency	3	44
Island Health Care	28	288
<i>Subtotal</i>	<i>65</i>	<i>1,100</i>
Alere Women's And Children's Health, LLC	38	156
Total	103	1,256

The 2010-11 State Health Plan, projects that 22 patients age 0 to 14 in Beaufort County will need home health in 2011. In 2010, 65 patients ages 0 to 17 were served. If obstetrics/infant visits are considered then 103 pediatric patients were served. Based on actual utilization there is no quantitatively identifiable need for additional pediatric home health services in Beaufort County.

Even if there were a need for additional pediatric home health services in Beaufort County, the 2010-11 State Health Plan allows for providers to apply for a CON to serve this population outside of the need for general home health services.

Recent Senate Inquiry

At the Project Review Meeting, Ms. Brandt raised a question regarding a recent Senate Finance Committee inquiry into therapy utilization for home health providers. The inquiry was originally initiated in May, 2010, as a result of an article appearing in the *Wall Street Journal* published April 26, 2010. To provide some background, in 2008, the Centers for Medicare & Medicaid Services (CMS) refined its payment system for therapy services by discontinuing its use of a single 10-therapy payment threshold, and instead implemented three therapy payment thresholds at 6, 14, and 20 visits while at the same time decelerating the increase in payment with each grouping of additional therapy visits between the therapy thresholds. This new payment system was expressly designed to better align payment to providers with their cost of providing the appropriate number of visits to each patient.

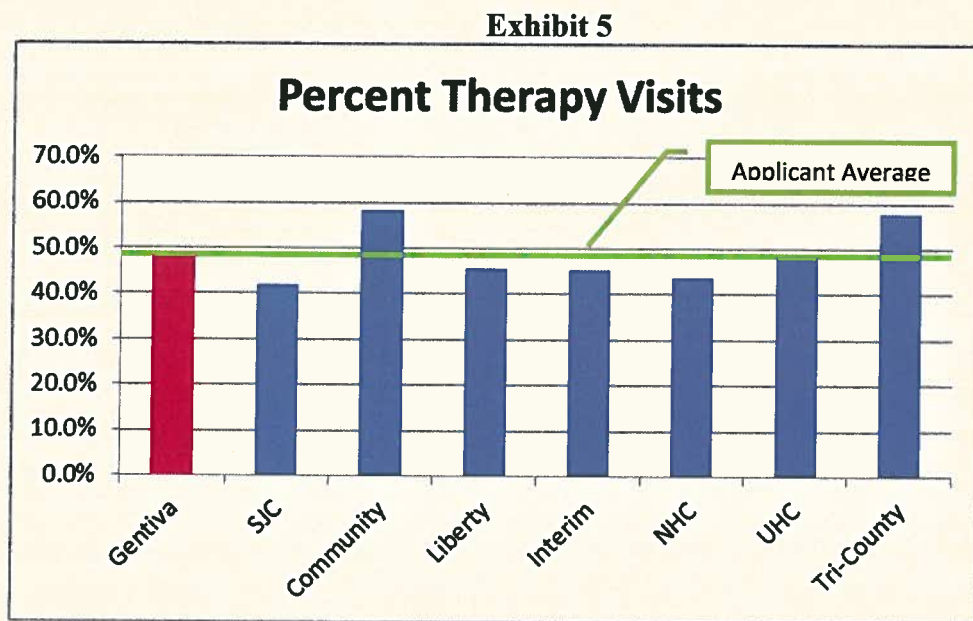
Prompted by the Wall Street Journal article on the subject, the Senate Finance Committee inquired into the treatment patterns of the nation's four publicly traded home health providers, including Gentiva for the years 2007 and 2008. Gentiva cooperated fully with the inquiry and submitted substantial documentation to the committee. This documentation revealed that Gentiva's care patterns in 2008, after Medicare modified its

payment system, were very similar to its care patterns in 2007, before Medicare's modification.

The Senate Finance Committee published certain conclusions regarding its inquiry and questioned whether the four providers were attempting to change their care patterns in response to CMS's reimbursement revisions. The Committee also opined that CMS's modified reimbursement system might lead to undesirable care patterns. However, the Committee did not take any action against Gentiva.

Gentiva has always tailored the treatment it provides to each patient solely to serve the health needs of that patient, and always pursuant to the treating physicians' plan. Gentiva will always operate in this ethical way, regardless of how Medicare may modify its reimbursement system.

To relate the question of therapy visits to this particular application, Gentiva analyzed the third year projected percent therapy visits for each applicant, as shown in Exhibit 5 below. First, it is important to note that the range of percentages is relatively close with a low of 42% to a high of 58.3%. It is also important to note that Gentiva's projection, based on actual South Carolina experience, is exactly at the average for all 8 applicants. In fact, Tri-County and Community both project significantly more therapy visits on a percentage basis than all other applicants.



Gentiva is the Best Applicant

DHEC has identified 7 major Project Review Criteria as most important in the determination of the applicant that should be approved to serve Beaufort County. There are a number of reasons why Gentiva is the best applicant and these can be characterized and described in terms of the Project Review Criteria. Gentiva has undertaken a detailed analysis of each applicant. That analysis confirms that not only does Gentiva meet *all* identified Project Review Criteria but it also *best meets* the most criteria. This review can be summarized in the following table:

Compliance With Requirements, Goals and Regulations of DHEC

Applicant	Project Review Criteria			
	Best Met	Met	Minimally Met	Not Met
Gentiva	8	8	0	0
SJC	0	6	3	7
Interim	1	4	3	8
NHC	0	9	5	2
UHC	1	7	8	0
Liberty	0	5	5	6
Community	0	5	2	9
Tri-County	0	7	5	4

A detailed evaluation and discussion of each Project Review Criterion is provided as Attachment 3. Back up analyses to support the discussion are provided as Attachment 4. Based on this information, it is clear that Gentiva is the applicant that should be approved. Not only is this decision based on a quantifiable analysis of the Project Review Criteria, but also based on a number of key distinguishing factors that separate Gentiva from its competitors. These key factors include:

- Gentiva brings the greatest depths of resources and experience in develop new home health agencies and is recognized as an industry leader in establishing best practices and other quality of care initiatives.
- Gentiva can and will serve all patients in Beaufort County. Gentiva's projected payor mix and geographic plan to serve all areas of the county, demonstrate that it has undertaken a detailed assessment of the needs of the area and will meet all needs including underserved areas.
- Gentiva has established relationships with referral sources including hospitals in Beaufort County and neighboring markets to ensure access all Beaufort County residents have access regardless of where they receive their other healthcare services.
- Gentiva will not be viewed as a competitor to existing providers in the market and thus will afford greater access than some of the competing applicants.
- Gentiva does not use a management company and does not franchise. Nor does Gentiva plan to use any contract staff to meet the needs of Beaufort County residents. Gentiva has the recruiting infrastructure in place to recruit and train all proposed staff.

Based on these factors, Gentiva is the best applicant to meet the needs of all Beaufort County residents that need home health services.

With Gentiva, you know who will be serving Beaufort County!

00643

Gentiva

Bate Stamped pages 644-713

Are letters of support

Attachment 3

Project Review Criteria Evaluation and Discussion

Comparison of Beaufort County Home Health Applicants By Project Review Criteria

Summary

The following analysis compares each of the Beaufort County home health applicants under the Project Review Criteria outlined by DHEC as important for this review. Under each criterion and sub-criterion every applicant has been evaluated as “meets” or “not meets” the criteria and, as applicable “best meets and minimally meets”. The following applications were reviewed:

Gentiva Certified Healthcare Corp. d/b/a/ Gentiva Home Health – “Gentiva Home Health” or “Gentiva”

SJC Home Health Services, Inc. - “SJC”

Lowcountry Nursing Group, LLC d/b/a/Interim Healthcare – “Interim/LNG” or “Interim”

NHC Home Care – South Carolina, LLC – “NHC”

United Home Care of the Lowcountry – Beaufort County - “UHC”

Liberty Home Care VI, LLC – “Liberty”

Community Health Inc. – “Community”

Tri-County Home Health Care and Services, Inc. - “Tri-County”

Each applicant presents a variety of strengths of weaknesses. Only based on a balanced review of each criterion, can an appropriate decision be made. The best balance of all criteria must be considered. The following table summarizes this evaluation:

Summary of Compliance With Project Review Criteria

Rank	Criterion	Gentiva	SJC	Interim	NHC	UHC	Liberty	Community	Tri-County
1	1. State Health Plan	Meets	Meets	Meets	Meets	Meets	Not Meet	Meets	Meets
2	2. Community Need								
	a. Target population	Meets	Not Meet	Not Meet	Meets	Min. Meets	Meets	Meets	Meets
	b. Population projections	Meets	Meets	Not Meet	Meets	Meets	Meets	Not Meet	Meets
	c. Services to meet need	Best Meets	Not Meet	Not Meet	Meets	Meets	Meets	Not Meet	Not Meet
	e. Current and projected utilization	Meets	Min. Meets	Not Meet	Not Meet	Min. Meets	Not Meet	Not Meet	Min. Meets
	4. Acceptability								
	a. Support of affected persons	Best Meets	Meets	Best Meets	Min. Meets	Min. Meets	Not Meet	Min. Meets	Meets
	b. Opposition	Meets	Meets	Meets	Meets	Meets	Meets	Meets	Meets
	3. Distribution (Accessibility)								
	a. Duplication and modernization	Meets	Meets	Meets	Meets	Meets	Meets	Meets	Not Meet
	b. Location to serve medically underserved areas	Meets	Not Meet	Not Meet	Min. Meets	Best Meets	Not Meet	Not Meet	Min. Meets
	c. Location and support services	Best Meets	Not Meet	Min. Meets	Min. Meets	Min. Meets	Min. Meets	Not Meet	Not Meet
	f. Access to all residents (underserved populations)	Best Meets	Not Meet	Min. Meets	Min. Meets	Min. Meets	Min. Meets	Not Meet	Min. Meets
	31. Medically Underserved Groups								
	a. Access to all underserved groups	Best Meets	Not Meet	Not Meet	Min. Meets	Min. Meets	Min. Meets	Not Meet	Min. Meets
	d. Service to Medicare, Medicaid & indigent	Best Meets	Min. Meets	Not Meet	Meets	Meets	Min. Meets	Min. Meets	Min. Meets
3	13. Record of the Applicant								
	a. Successful operations and management experience	Best Meets	Not Meet	Min. Meets	Meets	Min. Meets	Min. Meets	Not Meet	Meets
	b. Ability to obtain financing	Meets	Meets	Meets	Meets	Meets	Not Meet	Meets	Meets
	15. Financial Feasibility	Best Meets	Min. Meets	Not Meet	Not Meet	Min. Meets	Not Meet	Not Meet	Not Meet

Need – 1

“The proposal shall not be approved unless it is compliance with the State Health Plan.”

The State Health Plan contains seven standards for Home Health which must be met in order for an application to be approved.

- 1. An applicant must propose home health services to cover the geographic area of an entire county and agree to serve residents throughout the entire county.*

Gentiva Home Health -Gentiva proposes to serve the entire geographic area of Beaufort County and to serve residents throughout the entire county. In fact, Gentiva presents a staffing plan to show how the central and northern parts of the county, which have historically been underserved areas in terms of home health, will be covered by the proposed agency. **Gentiva meets this standard.**

SJC Home Health Services, Inc. -SJC agrees to serve residents throughout the entire county to include all geographic areas. However, as stated on Bates 000652 of the SJC file, “as a practical matter, a good portion of its patients will reside in the southern part of the county. This is because many potential home health referrals from Southern Beaufort County will have been discharged from a SJC hospital or other Savannah area hospital rather than from Northern Beaufort or Charleston County.” Clearly, SJC is not focusing on serving northern Beaufort County, which is the most underserved area, both geographically and demographically. **SJC meets this standard.**

Low Country Nursing Group - Interim/LNG proposes to serve the entire county of Beaufort County on Bates page 29. The Applicant agrees to serve residents throughout the entire county. **Interim/LNG meets this standard.**

NHC Home Care - NHC proposes to serve the entire county of Beaufort County on Bates page 236. The Applicant agrees to serve residents throughout the entire county. **NHC meets this standard.**

United Home Care of the Lowcountry – Beaufort County - UHC agrees to cover the entire geographic area of Beaufort County and to serve residents throughout the county. **UHC meets this standard.**

Liberty Home Care VI - Liberty proposes to serve the entire county of Beaufort County on Bates page 9. The Applicant agrees to serve residents throughout the entire county. **Liberty meets this standard.**

Community Health, Inc. - Community proposes to serve the entire county of Beaufort County on Bates page 8. The Applicant agrees to serve residents throughout the entire county. **Community meets this standard.**

Tri-County Home Health Care and Services, Inc. -Tri-County agrees to serve the entire geographic area of Beaufort County and to serve residents throughout the entire county. **Tri-County meets this standard.**

All applicants meet this State Health Plan standard.

2. A separate application is required for each county in which services are to be provided.

All applicants have submitted a separate application for Beaufort County.

All applicants meet this State Health Plan standard.

3. It is recommended that an application for a new home health agency should contain letters of support from physicians in the proposed service area

Gentiva Home Health – Gentiva has submitted 11 letters of support from physicians in the proposed service area and numerous letters of support of a broad range of providers, community members, and local leaders. **Gentiva meets this standard.**

SJC Home Health Services, Inc. – SJC has 38 letters of support from physicians. However, of these letters, only 8 are from physicians in the service area (Beaufort County). Many/most of these letters come from physicians in Savannah, Georgia and most of these are physicians employed by or affiliated with SJC. This is indicative that SJC plans to primarily serve patients from within the system and is not the ideal provider to truly best serve the needs of Beaufort County in its entirety. **SJC meets this standard.**

Low Country Nursing Group – Interim/LNG submitted 70 letters of support from physicians. These letters were received from physicians both inside and outside the service area. **Interim/LNG meets this standard**

NHC Home Care – NHC submitted just three physician letters of support. Like several applicants, NHC does not have the support of Beaufort County physicians. Physician referrals are important for any home health agency. **NHC meets this standard.**

United Home Care of the Lowcountry – Beaufort County - UHC has a notable number of letters of support from physicians in the proposed service area that include prospective referral commitments. However, the referral quantities included in many of these letters are not remotely reasonable. The supplemental detailed analysis, provided as an Attachment to the October 25, 2011 submission and discussed in the “Accessibility” sub-criteria demonstrates the inflated referral growth projected in each of UHC’s letters of support. It is unreasonable to believe that physicians will increase their referrals to home health by 10, 12, or even more than 20 times what they are currently referring. These numbers demonstrate that the level support shown in these letters is fabricated and unlikely. In addition, of the eighteen physician letters submitted by UHC as of September 15, 2011, five of these letters were from physicians located outside of the proposed Beaufort County service area. **United meets this standard.**

Liberty Home Care VI – Liberty provides its physician letters of support on Bates pages 287 to 289. Only three of the six letters of support that Liberty received are from physicians. Not only do the three physician letters appear to be from one medical practice, but the practice is located in Aiken County, which is outside of Liberty’s proposed service area. Liberty does not provide any letters of support from physicians in Beaufort County. The lack of physician letters of support demonstrates that Liberty does not have the support of the medical community in Beaufort County. **Liberty does not meet this standard.**

Community Health, Inc. – Community only submits two letters of support from physicians. Both letters are from one medical practice, Lowcountry Medical Group, LLC. Clearly, Community’s proposed home health agency is not supported by Beaufort County physicians; and therefore, the project should not be approved. **Community meets this standard.**

Tri-County Home Health Care and Services, Inc. - As of September 15, 2011, there were 7 letters of support from Beaufort County physicians in Tri-County’s DHEC file. **Tri-County meets this standard.**

Gentiva, Interim, and Tri-County meet this State Health Plan standard. SJC, NHC, UHC and Community minimally meet this State Health Plan standard. Liberty does not meet this State Health Plan standard.

4. The SC Health Plan shows that Beaufort County has a need for an additional home health agency using the methodology outlined in Standard #4.

The 2010-2011 South Carolina Health Plan recognizes a need for 101 home health patients and an additional home health agency in Beaufort County. All applicants propose to meet this need.

All applicants meet this State Health Plan standard.

- 5. All existing agencies in the county must have been operational for one year and submitted utilization data to DHEC before a new agency can be accepted for filing.***

According to the Joint Annual Reports, the existing agencies in Beaufort County have been operational for at least one year and have submitted utilization data to DHEC.

All applicants meet this State Health Plan standard.

- 6. The applicant should have a track record that demonstrates a commitment to quality services.***

Gentiva Home Health - Gentiva has a track record that demonstrates a commitment to quality services. The Gentiva family of companies has been providing services for over 4 decades. Gentiva currently operates over 312 home health agencies in 42 states. Because of its depth of experience, Gentiva has a consulting division that assists other home health agencies with starting new locations and turning around existing agencies that are struggling. Most importantly, though, Gentiva's involvement in nationally recognized quality initiatives sets it apart from the other applicants.

In 2007, Gentiva organized a national campaign to provide a forum for sharing best practices and improving patient care in the field of home health. Over 5,500 agencies enrolled between 2007 and 2008 to assist each other in determining best practices through the use of Best Practice Intervention Packets to ultimately reduce acute care hospitalizations and improve patient care. This campaign was adopted and implemented by CMS as the Home Health Quality Improvement (HHQI) Initiative in January 2010. Gentiva serves on the steering committee for this initiative and 100 percent of Gentiva's South Carolina branches are participating as recommended by the 2010-2011 SC Health Plan.

Gentiva has also served on technical and expert panels for the Centers for Medicare and Medicaid Services, the Agency for Healthcare Research and Quality, and the Medicare Payment Advisory Committee.

Locally, Gentiva has also participated in the Post Acute Care Demonstration Project organized by CMS, with its Myrtle Beach location chosen as one of only 10 participating agencies nationwide. This project was designed to assess billing and cost for treating patients, maximizing

effective use of Medicare expenditures, and reduce re-hospitalizations for patients. Gentiva was involved in researching alternative and more accurate patient functionality assessment tools.

Four of Gentiva's five South Carolina home health agencies were recently recognized as HomeCare Elite agencies by OCS HomeCare. OCS HomeCare is a division of OCS (originally Outcome Concept Systems) that for almost 20 years has delivered performance improvement benchmarking measures to home health and hospice providers, government organizations, and various stakeholders in the homecare industry. This designation highlights the top 25 percent of agencies ranked by measures of quality of care, quality improvement, and financial performance as reported on the Home Health Compare website and Medicare Cost Reports. The Gentiva agencies achieving this designation in 2010 include Carolina Home Health Care Greenville, Carolina Home Health Care (Columbia), Total Care Home Health of North Carolina (Gaffney) and Total Care – Coastal (Myrtle Beach).

Gentiva would bring an excellent track record in terms of quality of care to Beaufort County. In the Carolinas region, with 42 locations, Gentiva had just one survey deficiency in 2010, representing a 2 percent deficiency rate in the Carolinas. Gentiva has fully addressed and reconciled these deficiencies. In the entire nation, with 308 Medicare provider numbers, Gentiva had only two conditional surveys, representing a 0.6 percent deficiency rate nationally. This level of quality and consistency cannot be surpassed. Unlike some of the other applicants, when DHEC requested information regarding recent citations, Gentiva fully addressed and disclosed this information. Because there was not much to report, Gentiva did not have to mask its response in vague language. **Gentiva meets this standard.**

SJC Home Health Services, Inc. - While SJC has a track record that demonstrates a commitment to quality services, SJC's proposed agency will be operated by an outside management company that is currently unidentified. The quality record of the management company is not possible to evaluate based upon the information given in the CON application. SJC, as a hospital system, does not focus on the provision of home health services. Their home health agencies in Georgia are operated under a management agreement with CareSouth. Neither CareSouth nor any other provider has been named as the management company for the proposed agency; therefore, there is not a track record to evaluate. **SJC meets this standard.**

Low Country Nursing Group - Interim/LNG provides several policies regarding quality and performance Improvement in Exhibit 14 of its application. Interim/LNG also states that it does not have a history of prosecution, loss of license, consent order, or abandonment of patients.

In addition, several of Interim's staff are contracted. When using contracted staff, it's difficult to ensure the quality of care the agency will provide patients. Contracted staff are likely to use their own company's policies, guidelines and operational procedures, which can cause discrepancies in the standard of care. **Interim/LNG meets this standard.**

NHC Home Care – NHC describes its quality improvement program and quality assurance and utilization review procedures on Bates page 42. The Applicant uses the Patient Management System to measure and manage quality and patient care issues. A Quality Improvement Committee will be developed to review selected indicators identified in the patient's case management plan. Related policies are provided in the Additional Information Response dated July 28, 2011.

Still, NHC's staffing projections indicate an improper standard of care. As shown on Bates page 242, the estimated visits per patient are 38 patients in each of the first three years of operation. NHC's estimate is substantially higher than all of the other applicants, which average 19 visits per patient. There are not enough assumptions provided to justify any basis for the higher level of visits per patients. Thus, NHC's projections, which are twice as many visits per patient than the other applicants, show a misdistribution of staff and resources. Gentiva projects to provide its patients a high-quality standard of care much more efficiently. **NHC meets this standard.**

United Home Care of the Lowcountry – Beaufort County -UHC's track record in home health, particularly in South Carolina, does not demonstrate a commitment to quality services. On July 11, 2011, in a second request for additional information, Beverly Brant specifically asked UHC to provide a discussion of deficiencies cited by DHEC over the past year related to their existing facilities. UHC stated that "a select few" of their existing facilities had negative survey outcomes over the past year. UHC blames the negative deficiencies on the previous ownership and associated operation of these facilities. However, UHS started acquiring some of these facilities began as many as seven years ago. Given that UHS did not identify the deficient facilities in its response, it is difficult to pinpoint how long UHC has owned and operated the "select few" facilities that were cited by DHEC over the past year. **UHC meets this standard.**

Liberty Home Care VI – The Accreditation Commission for Health Care, Inc acknowledged the quality services provided by Liberty with the accreditation designation on the latest survey completed. In addition, Liberty provided its quality and patient safety policies in Attachment L of the application, Bates pages 127 to 129.

While DHEC specifically requested that Liberty provide "deficiencies related to any of the foregoing, including complaints, cited by the SCDHEC Bureau of Health Facilities Regulation and/or Bureau of Certification within the past year" in the July 7, 2011 Additional Information request, Liberty merely states that all three locations received Medicare certification and three-year accreditation but fails to mention if there were any complaints in the past year on Bates page 291. **Liberty meets this standard.**

Community Health, Inc. - Community provides its quality and performance improvement policies on Bates pages 84 to 101. While the policies provided are sufficient, Community still proposes to provide a lower level of quality care. As shown on Bates page 127, Community proposes to use a considerable number of licensed practical nurses/licensed vocational nurses (LPN/LVN), licensed physician therapy assistants (LPTA), and occupational therapy assistants (OCTA). These staff will be utilized instead of hiring additional, more knowledgeable staff, such as registered nurses (RN), physical therapists (PT), and occupational therapists (OT) that Gentiva will employ. As a result, patients may require more home health visits. Employing to different skill levels can also lessen the continuity of care. For example, while the physical therapist evaluates the patient and determine a plan of care, the licensed physician therapy assistant may implement the plan of care. If the patient is not responding to the plan of care, the physician therapy assistant would have to fully relay the results back to the physical therapist. Any ineffectiveness in communication on either party could lower the quality of care the patient receives. **Community meets this standard.**

Tri-County Home Health Care and Services, Inc. - Tri-County has a track record that demonstrates a commitment to quality services. However, its application to serve Beaufort County appears to disregard functional details in order to present an application that appears to best cover all areas of Beaufort County. Tri-County does an excellent job of identifying the underserved areas and demographics of Beaufort County. However, the plan they present for serving these areas and citizens is low on details and is clearly not thought through in terms of staffing, financial performance, and office functionality, as will be discussed in detail. **Tri-County meets this standard.**

Gentiva best meets this State Health Plan standard. Tri-County meets this State Health Plan standard. SJC, Liberty, UHC, NHC, Community and Interim minimally meet this State Health Plan standard.

7. The applicant must document that it can serve at least 50 patients annually.

All applicants have projected to serve at least 50 patients annually.

All applicants meet this standard.

State Health Plan Summary

Based on this analysis, the following table summarizes each applicant's consistency with the state Health Plan standards for home health services:

Standard	Gentiva	SJC	Interim	NHC	UHC	Liberty	Community	Tri-County
1	Met	Met	Met	Met	Met	Met	Met	Met
2	Met	Met	Met	Met	Met	Met	Met	Met
3	Met	Met	Met	Met	Met	Not Met	Met	Met
4	Met	Met	Met	Met	Met	Met	Met	Met
5	Met	Met	Met	Met	Met	Met	Met	Met
6	Met	Met	Met	Met	Met	Met	Met	Met
7	Met	Met	Met	Met	Met	Met	Met	Met

All applications except for Liberty meet the Standards and recommendations for home health set forth in the 2010-2011 SC Health Plan.

Community Need Documentation – 2a, 2b, 2c, 2e

2a. The target population should be clearly identified as to the size, location, distribution, and socioeconomic status (if applicable).

Gentiva Home Health - Gentiva thoroughly identifies the size, location, distribution, and socioeconomic status of the target population in their application and presents a systematic plan to address the home health needs of this community. **Gentiva meets this criterion.**

SJC Home Health Services, Inc. – SJC identifies the size and potential growth in the population of Beaufort County. However the population distribution and socioeconomic status of the service area is largely disregarded. In response to DHEC’s direct question regarding accessibility to the county (Bates page 652), SJC states “the physical location of the agency’s administrative offices is largely irrelevant to the geographical area that the agency expects to serve....as a practical matter a good portion its patients will reside in the southern part of the County. This is because many potential home health referrals from Beaufort County will have been discharged from a St. Joseph’s Candler hospital or other Savannah area hospital rather than from Northern Beaufort or Charleston County.” SJC disregards the consideration of population distribution and socioeconomic factors because they intend to serve their own acute care patient population residing in the southern area of the county where several existing home health agencies are currently located. **SJC does not meet this criterion.**

Low Country Nursing Group – Interim/LNG proposes to serve the residents of Beaufort County. The service area is clearly defined and demographic data for this area shows population growth. Still, Interim/LNG emphasizes serving pediatric home health patients but does not provide the percentage of pediatric patients for the first three operating years anywhere in the application. Interim/LNG projects to serve 22 pediatric patients on Bates page 28 but fails to state if the projection is for Year 1, Year 2, Year 3, or every year. Therefore, the target population is not clearly identified. **Interim does not meet this criterion.**

NHC Home Care – NHC proposes to serve the residents of Beaufort County. A map of the project site location is provided on Bates page 57. The service area is not clearly defined until Bates page 236 in the Additional Information Response. NHC identifies persons over age 65 as the population most predicative of need for home health services. NHC emphasizes demographic data for the elderly population. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County -UHC identifies the size and location of the target population in their application. However, socioeconomic status and distribution of the target population is minimally addressed. **UHC minimally meets this criterion.**

Liberty Home Care VI – On Bates page 25, Liberty proposes to serve the residents of Beaufort County. The service area is clearly defined and a map of the proposed service area is shown on Bates page 32 and 33. Liberty refers to data that states that diseases of the circulatory system as the leading condition for home health patients and provides the prevalence of persons with such diseases in the county. In addition, population data from Claritas shows growth in the total population and for those 65 and older. **Liberty meets this criterion.**

Community Health, Inc. – Community proposes to serve the residents of Beaufort County. The service area is clearly defined and a map of the proposed service area is shown on Bates page 51. Population data and socioeconomic data for Beaufort County are provided on Bates pages 27 to 33. The Tapestry Segmentation system, which classifies neighborhoods based on their socioeconomic and demographic compositions, is discussed at length. The area Community proposes to be located is described as older retirees that are not ethnically diverse. **Community meets this criterion.**

Tri-County Home Health Care and Services, Inc. – On Bates pages 0010-0012 of its application, Tri-County thoroughly identifies the size, location, distribution, and socioeconomic status of the target population in their application. **Tri-County meets this criterion.**

Gentiva, Liberty, NHC, and Community, and Tri-County meet this criterion. UHC minimally meets this criterion. SJC and Interim do not meet this criterion.

2b. Projections of anticipated population changes should be reasonable and based upon accepted demographic or statistical methodologies, with assumptions and methodologies clearly presented in the application. The applicant must use population statistics consistent with those generated by the State Budget and Control Board.

Gentiva Home Health – Gentiva’s projections of anticipated population changes are reasonable and methodologies and assumptions are outlined in the application and are consistent with statistics generated by the State Budget and Control Board. **Gentiva meets this criterion.**

SJC Home Health Services, Inc. - SJC’s projections of anticipated population changes are reasonable and methodologies and assumptions are outlined in the application and are consistent with statistics generated by the State Budget and Control Board. **SJC meets this criterion.**

Low Country Nursing Group – In its application on Bates pages 25 and 26, Interim/LNG presented detailed population projections from the South Carolina Budget and Control Board. Interim/LNG projects that the population of Beaufort County will grow by 1.77 annually percent between July 2009 and July 2014. Additionally, Interim/LNG projects that the population of South Carolina will grow by 1.01 percent annually during this timeframe.

Interim/LNG also provides the population projections for children; however, since there is no clear percentage of pediatric patients for the first three operating years, it cannot be discerned how the corresponding annual population growth rates apply. Thus, Interim/LNG neglects to show that its population changes are and methodologies are reasonable and clearly presented. **Interim does not meet this criterion.**

NHC Home Care – Population data from the South Carolina DHEC SCAN and the South Carolina ESRI Forecast is shown on Bates page 237. According to this source, the population of Beaufort County is projected to grow 19.3 percent between 2009 and 2015. Persons 65 and older are projected to grow 30.8 percent during this time period. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County - UHC's projections of anticipated population changes are reasonable and methodologies and assumptions are outlined in the application and are consistent with statistics generated by the State Budget and Control Board. **UHC meets this criterion.**

Liberty Home Care VI – Liberty used population data from Claritas to show the population projections of Beaufort County and South Carolina between 2010 and 2015 on Bates page 33. The percent change showed that the population for Beaufort County would grow 10.5 percent and 16.1 percent for the population as a whole and persons 65 and older, respectively. The South Carolina population is projected to grow 5.9 percent for the total population and 20.7 percent for persons 65 and older. **Liberty meets this criterion.**

Community Health, Inc. – Community provided population data from the US Census Bureau on Bates pages 27 and 29. However, the Applicant only provided population growth data for persons age 75 and older. While the “typical home health patient is a white female age 75+,” according to Community, it did not understand that if approved, Community would serve persons outside of its “target” population and the population growth of other age groups should have also been considered. As a hospice provider, Community may have failed to come to this realization due to its lack of experience in the home health industry. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. – Tri-County's projections of anticipated population changes are reasonable and methodologies and assumptions are outlined in the application and are consistent with statistics generated by the State Budget and Control Board. The initial utilization projections in the original CON application (Tri-County Bates page 23) were overly simplistic. However, they were amended with a submission to the Department on May 9, 2011 that reflected the rapid population growth (particularly in the 65+ segment) and increasing utilization rates for home health services over time to present more reasonable projections. **Tri-County meets this criterion.**

Gentiva, SJC, UHC, Liberty, NHC, and Tri-County meet this criterion. Community and Interim do not meet this criterion.

- 2c. The proposed project should provide services that meet an identified (documented) need of the target population. The assumptions and methods used to determine the level of need should be specified in the application and based on a reasonable approach as judged by the reviewing body. Any deviation from the population projection used in the State Health Plan should be explained.**

Gentiva Home Health – Gentiva projects to serve 281 patients in year 1, 392 patients in year 2, and 505 patients in year 3. Gentiva believes that these utilization projections are reasonable, as three of the four existing providers in Beaufort County treated more than 500 unique patients in 2009. In addition, the number of Beaufort County residents receiving home health services has grown at an annual rate of 7.3%, faster than the expected growth in population among residents aged 65 to 74 or 75+. Even more noteworthy, the number of patients served through each of Gentiva's five existing South Carolina agencies in 2010 ranged in number from 562 patients at the agency with the least utilization to 3,360 at the largest agency. On average, Gentiva served 2034 patients through each of its existing five agencies in 2010. The exhibit below identifies each of these facilities and demonstrates their size and growth over the past year. The five agencies combined increased by over 1,000 patients served in just one year. Further, four of five agencies individually experienced increases that more than support the projected utilization growth projected for Beaufort County.

Historical Growth of Gentiva SC Home Health Agencies

Agency	2009	2010	1 Year Change
Carolina Home Health Care Greenville	2,845	3,216	371
Total Care Home Health of North Carolina	3,030	3,360	330
Hospice of Charleston/Carolina Home Health Care Charleston	300	562	262
Total Care - Coastal	1,334	1,511	177
Carolina Home Health Care	1,624	1,520	(104)
Total	9,133	10,169	1,036

Source: 2009 and 2010 JARs

The number of patients projected, while higher than the other applicants' projections, is considerably smaller than Gentiva's actual utilization at any of its current agencies in South Carolina and is considered to be conservative and reasonable. In fact, even with its strong projections, Gentiva projects growth in the existing agencies as well. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. – In their updated B-11 (need) submission to reflect the final 2010-2011 SC Health Plan methodology and data, SJC projects the need for home health using reasonable population projections with the 75% use rate adopted in the plan and a 100% use rate to show both a conservative and high-end range. Their forecasted volume (185, 288, and 390 in years 1, 2, and 3 respectively) appears reasonable until their referral sources are considered. As quoted previously, they intend to receive much of their referral base from inside their own health system. This is also reflected by the large quantity of support letters submitted from SJC system providers. However, when looking at their Beaufort County market share, only 7% of Beaufort County inpatients are seeking care from SJC hospitals. Given that not all of these patients will require home health care, it is difficult to project this level of utilization when much of SJC's projected home health patient base is supposedly coming from referrals within its own system. **SJC does not meet this criterion.**

Low Country Nursing Group – Interim/LNG cites the South Carolina State Health Plan to determine the level of need. The services Interim/LNG proposes to meet the need are provided on Bates Pages 9 to 14. It proposes to provide nursing services, home IV therapy, supportive services, therapy services, and specialty programs. Interim/LNG fails, however, to document quantitatively the need for the services they plan to offer. Interim/LNG focuses much of its discussion on pediatric patients but does not quantify this population. Interim/LNG does not even clearly identify how many pediatric patients it projects to serve in each of the first three years of operation. Without this quantification, the validity of its payor mix and financial projections cannot be verified.

A simple review of the existing home health agencies in Beaufort County demonstrates there is not a significant need for pediatric home health services in Beaufort County. As shown in the table below, Alere Women's and Children's Health LLC – Midlands, a dedicated women's and infants home health agency served 38 patients in Beaufort County with 156 patient visits in 2010. In addition, three of the existing general home health agencies in Beaufort County reported serving pediatric patients age 0 to 17.

Summary of Existing Providers Pediatric Service Utilization

Agency	Patients	Visits
Amedisys Home Health Of Hilton Head	34	768
Beaufort-Jasper Home Health Agency	3	44
Island Health Care	28	288
<i>Subtotal</i>	<i>65</i>	<i>1,100</i>
Alere Women's And Children's Health, LLC	38	156
Total	103	1,256

The 2010-11 State Health Plan, projects that 22 patients age 0 to 14 in Beaufort County will need home health in 2011. In 2010, 65 patients ages 0 to 17 were served. If obstetrics/infant visits are considered then 103 pediatric patients were served. Based on actual utilization there is no quantitatively identifiable need for additional pediatric home health services in Beaufort County.

Even if there were a need for additional pediatric home health services in Beaufort County, the 2010-11 State Health Plan allows for providers to apply for a CON to serve this population outside of the need for general home health services. **Interim does not meet this criterion.**

NHC Home Care –NHC lists the 2010-2011 South Carolina State Health Plan as the method used to determine the level of need on Bates page 236. On Bates pages 11 to 13, NHC proposes the following services for its target population: clinical laboratory services, counseling services, medical supplies and coordination of home care equipment, IV therapy, nutritional services, nursing services, personal care services, therapy services, case management, homemaker services, enterostomal therapy and home parenteral therapy. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County – UHC proposes a reasonable level of utilization in Beaufort County meeting an identified need for home health. The assumptions made and methods used in section B-11 of the CON application and related follow-up responses in determining this projected level of utilization appear to be reasonable. However, supplementary materials such as letters of support, which are stated to “affirm” the unmet need and projections [Bates page 47], are unreliable. **UHC meets this criterion.**

Liberty Home Care VI –Liberty lists the 2010-2011 South Carolina State Health Plan as the method used to determine the level of need and relied on the State Health Plan for its Year 1 projection. The expected population growth in Beaufort County was the basis for the growths in utilization for Years 1 and 2. Liberty proposes the following services for its target population on Bates pages 24 to 31: nursing services, home health aide services, therapy services, medical social services, nutrition counseling, and infusion services. Liberty projects the second lowest projected utilization and there for does not project to significantly increase the home health use rate for Beaufort County. **Liberty meets this criterion.**

Community Health, Inc. –Community states that the State Health Plan as the basis for the identified need. However, Community also notes the growth in the population of persons of 75 and older on Bates pages 26 and 27, as it states that the “typical home health patient is a white, female age 75+.” While it may be that white females age 75 and older are the most common home health patients, Community has not documented a thorough understanding of the wide range of geographic, demographic, and socio-economic factors resulting in the need for an additional home health provider in Beaufort County. Community’s office location on Hilton Head Island, remote from most of the county, further demonstrates its lack of understanding of the diverse communities comprising Beaufort County. Community projects the lowest utilization of all applicants reaching just 151 patients by the third year of operation. This level of utilization will not have any significant impact on the low home health use rate in Beaufort County and will simply result in a need arising again in the State Health Plan in just a few years. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. – While Tri-County’s overall utilization projection numbers appear reasonable, its breakdown by type of visit does not. While speech therapist and medical social worker services are among the least commonly used services in home health (in 2009, these services represented 1.55% and 1.81% of all visits respectively), Tri-County barely projects to utilize these services at all. Tri-County budgets 0.04FTE for 50 visits of speech therapy and 0.00 (zero) FTE for 3 visits of medical social worker services in the third year of operation, representing 0.6% and 0.04% of the total annual patient visits respectively. This means that Tri-County anticipates providing about 38% of the state average utilization rate in anticipated speech therapy visits and 2% of the state average utilization rate in medical social worker visits. MSW visits are particularly critical for the most underserved populations including low income individuals and patients living in more rural areas. MSWs arrange for critical support services such as transportation to doctors visits and help with meals, for example. Tri-County cannot meet the needs of the most underserved populations without providing critical social work services.

Speech therapy is a vital component of rehabilitation for stroke patients. Given that the population of Beaufort County has a higher concentration of 65+ citizens than the state average and that this population is projected to continue growing in the coming years, stroke patients are going to be a common profile of patient seen in Beaufort County. Therefore, it would be assumed that speech therapy would be utilized at a higher rate than average in Beaufort County. **Tri-County does not meet this criterion.**

Gentiva best meets this criterion. Liberty, UHC and NHC meet this criterion. SJC, Community, Interim, and Tri-County do not meet this criterion.

2e. Current and/or projected utilization should be sufficient to justify the expansion or implementation of the proposed service.

Gentiva Health Service – Gentiva projects the highest utilization of the applicants. In addition, Gentiva demonstrates that even with their utilization projections, there is sufficient room for growth of existing providers. Gentiva uses actual utilization statistics from its existing agencies in South Carolina to support its projections. **Gentiva meets this criterion.**

SJC Home Health Services, Inc. - As stated above, the projected utilization appears sufficient to justify the implementation of the proposed agency. However, their assumptions and primary internal referral source for achieving this level of utilization seem unrealistic. **SJC minimally meets this criterion.**

Low Country Nursing Group – On Bates page 635, Interim/LNG provides its utilization projections for Years 1, 2 and 3, which are 186 patients, 370 patients, and 475 patients, respectively. In the pages preceding, it states that its Medicare projection of 101 patients in Year 1 was based on the need identified in the State Health Plan. Interim/LNG states that the increased utilization between Years 1 and 2 is based on the 2010 Census numbers, which showed an increase in population and the “increase in population will naturally escalate need above what was projected in the Plan.” As shown in the subsequent table, the difference between the State Health Plan and the 2010 Census numbers is just 8.7 percent.¹ It is unclear how the census figures are linked to Interim/LNG’s projected patient demand. It also does not make sense to size the Medicare patient projection to align with the State Health Plan projections, which take into consideration all age groups.

¹ <http://quickfacts.census.gov/qfd/states/45/45013.html>

	State Health Plan	US Census Bureau	Percent Growth
Beaufort County Pop	149,200	162,233	8.7%

Source: South Carolina State Health Plan pg XII-16 and US Census QuickFacts

In addition, no explanation was given for the increase in total patients between Years 2 and 3. More importantly, Interim/LNG projects to serve pediatric patients but does not quantify the demand for this patient population. As described above, a basic review of existing provider utilization data shows that there is not a significant need for pediatric home health in Beaufort County. **Interim/LNG does not meet this criterion.**

NHC Home Care – On Bates page 242, NHC provides its utilization projections for Years 1, 2 and 3, which are 97, patients, 155 patients, and 182 patients, respectively. The projected utilization was based on the South Carolina State Health Plan. NHC states that its utilization projections are conservative and that “When estimating assumptions in proforma projections, it is important that they are obtainable” in its Response to Additional Information dated June 9, 2011. However, NHC’s projections are so conservative that, for its first year of operation, it does not even project to meet the need identified for Beaufort County in the State Health Plan, which is 101 patients. Consequently, it is not surprising that NHC projects the second lowest utilization projections of the eight applicants. Clearly, NHC’s projected utilization is insufficient and does not justify the need for its proposed home health agency.

Additionally, NHC’s staffing projections indicate an improper standard of care. As shown on Bates page 242, the estimated visits per patient are 38 patients in each of the first three years of operation. NHC’s estimate is substantially higher than all of the other applicants, which average 19 visits per patient. There are not enough assumptions provided to justify any basis for the higher level of visits per patients. Thus, NHC’s projections, which are twice as many visits per patient than the other applicants, show a misdistribution of staff and resources. Furthermore, NHC projects to use LPN and Certified Occupational Therapy Assistants (COTA) and Licensed Physical Therapy Assistants (LPTA) staff, which represents a lower level of skill and thus, a lower level of quality care. **NHC does not meet this criterion.**

United Home Care of the Lowcountry – Beaufort County - Based on population growth and need methodology, UHC’s utilization projections are sufficient to justify the implementation of a new agency. . However, UHC does not support its projections of start-up utilization with data from its own existing agencies. In addition, UHC also asked referral sources to identify the number of patients they would refer in letters of support as a basis for confirming its utilization

projections. However, the number of patients projected to be referred is grossly unreasonable as demonstrated by the exhibit provided in the analysis for sub-criterion 4a in "Acceptability." **UHC minimally meets this criterion.**

Liberty Home Care VI – On Bates page 34, Liberty states that it projects to provide home health services to 101 patients in Year 1, 177 patients in Year 2 and 273 patients in Year 3. On Bates page 245, it states that the projected utilization is based on the need methodology by age cohort in the 2011-2012 South Carolina State Health Plan. It then projects the total estimated home health patients in Beaufort County. Liberty does not provide a basis for its projected utilization for Year 2 and Year 3 given the historical experience of its existing agencies. Liberty's projected patient utilization is among the lowest of the applicants and does not appear to take into consideration the ongoing population growth and need for increased home health use rates in Beaufort County. There is no quantitative data provided to show how the numbers were derived. Liberty's projected utilization is among the lowest of the applicants, which does not suggest a significant positive impact on the low home health utilization in Beaufort County. Therefore, Liberty has not shown that its projected utilization is sufficient or reasonable and fails to meet this requirement. **Liberty does not meet this criterion.**

Community Health, Inc. – On Bates page 132, Community projects to serve 101 patients in Year 1, 140 patients in Year 2 and 151 patients in Year 3. The Year 1 projection is based on the need identified in the 2011 South Carolina State Health Plan. Community states that the projection for Year 2 is based on the 2009 growth in patients as reflected in the CMS, HCRIS 2009 HHA Cost Report Database for existing agencies and the Year 3 projection is based upon the average growth for existing agencies between 2005 and 2009, per the South Carolina State Health Plan. However, no explanation is given on why these percentages were chosen and why they were applied in that order. Furthermore, only two agencies had reported data to CMS as of 4-4-11 and a more inclusive source would have reflected a more accurate growth rate.

Community projects the lowest amount of utilization of all the applicants and does not consider that Beaufort County is currently underserved with use rates of less than 75 percent of the statewide rate. In fact, Community does not assume any increase in use rate beyond 75 percent. Consequently, if Community's application were approved Beaufort County would continue to have a very low use rate, despite a heavy elderly population and large medically underserved population in the northern part of the county. Community's minimal utilization projections also do not consider the significant seasonal population of retirees that are not included in the need identified by the State Health Plan.

Thus, Community's projected utilization is unreliable and does not justify the proposed service. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. – As stated above, the initial utilization projections in the original CON application (Tri-County Bates page 23) were overly simplistic. However, they were amended with a submission to the Department on May 9, 2011 that reflected the rapid population growth (particularly in the 65+ segment) and increasing utilization rates for home health services over time to present more reasonable projections. However, as stated above, the projected visits by type do not appear to be accurate given the demographics and target population for this community.

Tri-County's projected visits per patient decline significantly from year 1 through year 3, to the point that year 3 does not appear to reflect sufficient patient visits and the projections are highly inconsistent with Tri-County's baseline experience. As will be discussed later, this flaw in projections leads to substantial issues with the financial projections.

In addressing Standard #7 for Home Health Agencies from the 2010-2011 SC Health Plan [Bates Page 0022], Tri-County states, "Tri-County is confident that it can serve at least 50 patients annually in Beaufort County. The signed transmittal letter provides assurances that Tri-County will comply with all requirements in the CON regulations and in this specific application, including the requirement to relinquish its license for Beaufort County if it does not serve at least 50 patients annually two years after initiation of services." It then uses its new Aiken County agency to verify the feasibility of this, stating, "Tri-County began providing home health services to Aiken County in December 2010. Aiken is almost exactly the same population as Beaufort County and Tri-County is on track to serve at least 50 patients in half the time required by the South Carolina Health Plan." This statement would imply that Tri-County projects to serve a little over 50 patients in their first year of operation. While this meets the minimum requirement in plenty of time, it does not come anywhere near their projection of 212 for the first year of operation. Given that "Aiken is almost exactly the same population as Beaufort County," and Tri-County projects to serve 131 patients in Beaufort County in the first year of operation, they have not shown by with their newest agency that they are capable of the projected utilization for Beaufort County, especially since UHC's first year utilization projections for Aiken County are well above those of Beaufort County. **Tri-County minimally meets the criterion.**

Gentiva meets this criterion. SJC, UHC, and Tri-County minimally meet this criterion. Liberty, NHC, Community, and Interim do not meet this criterion.

Acceptability – 4a, 4b

- 4a. The proposal and applicant should have the support of “affected persons” (including local providers and the target population). The lack of opposition should not be considered support for the purposes of these criteria.**

Gentiva Home Health

Gentiva has strong support from a broad range of affected persons, including providers, local leaders, and community members. Gentiva separates itself from the other applicants in terms of support from local hospitals and other local facilities. Gentiva has support letters from all hospitals in the county, from hospitals in Charleston County, and from Memorial University Health in Savannah. As shown in the table below, Beaufort and Jasper County, Charleston County, and the Savannah, Georgia hospitals serve 98% of Beaufort County acute care inpatients. Gentiva has support and existing relationships from acute care providers in all of these areas including Beaufort Memorial Hospital, Hilton Head Hospital, Trident Medical Center, Roper Hospital, and Memorial University Health System. In addition, Gentiva has support from a HealthSouth Rehabilitation Hospital, assisted living, skilled nursing and senior residential communities. Gentiva’s referral history shows that more than half of their home health referrals come from all of these types of facilities, particularly hospitals. Therefore, support from these facilities is vital to the successful implementation of a new agency.

**Beaufort Resident Migration Patterns for Acute Care Services
And Gentiva’s Presence in Each Market**

County/Market	Percent of Beaufort County Inpatients Served	Gentiva Serves Hospital(s) and Has Relationships
Beaufort/Jasper	77.1%	YES
Savannah, Georgia	11.4%	YES
Charleston	9.5%	YES
Greenville	0.8%	YES
Columbia	0.3%	YES
Spartanburg	0.05%	YES

Source: 2009 SC ORS

Unlike SJC Home Health Services, NHC HomeCare Beaufort, and United, Gentiva does not have an affiliation with any hospital, nursing home, inpatient hospice, or other facility. Gentiva provides home health and hospice services and provides consulting services to other providers of home care and hospice. Gentiva does not own or operate hospitals, nursing homes, and other

health care providers. As a result, Gentiva would not be in direct competition with any potential referral sources in Beaufort County. Unlike some of the other applicants, potential referral relationships with competing entities would not preclude any existing physician, hospital, or provider from referring patients to Gentiva. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. - SJC provides a significant number of letters of support; however, the majority of them are from physicians who are out of the area or are employed or affiliated with SJC. This type of support is not representative of a broad base of local support. SJC specifically states that its focus is serving patients that are currently served by their own health system and thus, it is not seeking to cooperatively work with all providers in South Carolina.

SJC presents support from many of its employed physicians, leading to questions regarding the validity of the support. More importantly, because SJC is a hospital-based provider, there may be reluctance on the part of existing South Carolina hospitals to refer to an agency owned by SJC. Based on market data from SC Office of Regulatory Services and the Georgia Department of Community Health, SJC has approximately 7 percent market share of Beaufort County inpatient discharges in 2010. If SJC's focus is, as it appears to be, on serving their own patients, then this leaves 93 percent of Beaufort County residents that may not be served by the proposed agency. **SJC meets this criterion**

Low Country Nursing Group – With 123 letters, Interim/LNG received a large number of letters of support including physicians in the service area. Interim did receive a letter of support from MUSC in Charleston that supported Interim's proposed pediatric services; however, Interim/LNG has not quantified this need or demonstrated the need is not already met by existing providers. **Interim/LNG best meets this criterion.**

NHC Home Care – NHC submitted just six letters of support, including one letter of support from Coastal Carolina Hospital, which is located in Jasper County, South Carolina. Just three of the six letters of support NHC received were from physicians. NHC received very few letters from other healthcare providers, such as assisted living facilities. NHC does not have the support of Beaufort County residents; and thus, it should not be approved. **NHC minimally meets this criterion.**

United Home Care of the Lowcountry – Beaufort County – UHC has a substantial number of support letters from physicians and community members. However, many of the physicians' and providers' letters are unreliable, if not fraudulent. It is completely unreasonable to project referral growth of 600%, 1200%, even 1500% from multiple providers. Please see Attachment 4 to Gentiva's October 25, 2011 submission for a detailed analysis of the referral volume suggested by UHC's letters of support.

In addition, in response to the requirement of evidence of proposed transfer agreements in its original application (UHC Bates 27 to 28), UHC did not provide any mention of draft transfer agreements but stated that they will have access to its own various segments of the UHS family of companies including UHS-Pruitt, United Clinical, United Pharmacy, United Rehab, and United Medical. As a result, in her May 11, 2011 letter, Ms. Brant specifically requested information regarding transfer components to any draft agreements UHC may have. However, UHS did not attempt to seek transfer agreements with other facilities for this project, stating that transfer agreements are “not applicable” and “any transfer is the result of patient choice (UHS Bates Page 926).” These responses indicate that UHS intends to work with and refer to its own family of companies, including nursing homes throughout the state and a hospice facility located in Beaufort County and has not made an effort to work cooperatively with other facilities. **UHC minimally meets this criterion.**

Liberty Home Care VI – Liberty provides its letters of support on Bates pages 118 to 120 and 287 to 289. With merely six letters of support, clearly Liberty does not have the support of the community. Only three of the six of the letters of support are from physicians. Not only do they appear to be from one practice, but the practice is located outside of the service area in Aiken County! Hence, Liberty did not receive any letters of support from Beaufort County physicians. Physician support letters from outside of the service area cannot show acceptability of physicians on their own. Physician letters from inside the service area are a necessity. Liberty received zero letters of support from hospitals. The lack of letters of support demonstrates that Liberty does not have the support of “affected persons” in Beaufort County. **Liberty does not meet this criterion.**

Community Health, Inc. – Community submitted 15 letters of support in its CON and Additional Information submissions. Among those letters, there were just five from healthcare providers. Only two of those five were physician letters of support. Community did not obtain any letters from hospitals, although the Applicant specifically includes hospitals in its community linkage plan. Not only does Community’s proposed project lack support from physicians but hospitals as well. **Community minimally meets this criterion.**

Tri-County Home Health Care and Services, Inc. – As of September 15, 2011 Tri-County had a broad range of support letters from providers, community members, and civic leaders. However, Tri-County does not show strong levels of support from any of these areas. For example, Tri-County had support from only two hospitals (one of which was located in Lexington County), seven physicians, seven from members of local or state government, and four from community members and businesses, among a handful of others. Their total of letters at the time (25) puts Tri-County in the bottom half of the applicants. **Tri-County meets this criterion.**

Gentiva and Interim/LNG best meets this criterion. SJC and Tri-County meet this criterion. NHC, UHC, and Community minimally meet this criterion. Liberty does not meet this criterion.

4b. Where documented opposition exists to a proposal, such opposition will be considered along with the application.

A review of DHEC's record for each of the applicants does not reveal any letters of opposition other than those submitted from the other competing applicants.

All applicants meet this criterion.

Distribution (Accessibility) – 3a, 3b, 3c, 3f

- 3a. Duplication and modernization of services must be justified. Unnecessary duplication of services and unnecessary modernization of services will not be approved.**

The 2010-2011 SC Health Plan demonstrates a need for an additional home health agency in Beaufort County. With the exception of Tri-County, the proposed project for all other applicants does not represent an unnecessary duplication of services.

Tri-County Home Health Care and Services, Inc. - Tri-County's proposed three-office structure represents an unnecessary duplication of services. While its attempt to better serve the underserved areas and citizens should be applauded, the functionality of this structure is lacking. Tri-County does not properly capture the three-office organization in its financials (this is discussed further under financial feasibility) and does not present a reasonable operational plan for these three offices at anytime throughout the CON review process.

Tri-County makes a number of statements throughout the application process that raise unanswered questions. First, (Tri-County Bates page 14) Tri-County states that staff will typically visit the office once or twice each day. What staff – clinical or administrative? Do they intend to have administrative staff fixed at each office? Will administrative staff travel from office to office each day? Why do clinicians need to visit the office twice daily – or even daily? Tri-County demonstrates on its standard equipment listing that its clinicians can order and will travel with a car-stock of standard supplies. Most home health agency offices expect their clinicians to come in three times per week in order to minimize travel times, maximize time allowed for patient care, and reduce the unnecessary costs associated with traveling back and forth between the clinician's home, the agency's office, and the patient .

Staff meetings are integral in ensuring coordinated care between all necessary clinicians in the home setting. Both Gentiva and UHC identify that they hold required weekly staff meetings which include all agency staff and clinicians to coordinate patient care between clinicians and handle administrative details. Given that Tri-County proposes three separate "fully functional" offices, how will staff meetings be coordinated to include all clinical staff? Where will staff meetings be held? How can quality patient care be achieved without a forum for all clinicians to coordinate?

In its June 10, 2011 submission to the Department, Tri-County provides a chart (Tri-County Bates page 469) which shows that they intend to offer nursing care, home health aide, occupational therapy, physical therapy, speech therapy, medical social work, and non-clinical support at all three offices. However, in its Manpower Budget subschedule submitted to the

Department with its May 9, 2011 update (Bates Page 402), Tri-County budgets 0.00 FTE (zero) for medical social worker, 0.04 FTE for speech therapist, and 0.55 FTE for an occupational therapist in Year 3 of operation (after two years of ramp up). How is it possible to have staff serving all three locations in these functions when you barely have these functions staffed at all after two full years of operation?

Tri-County identifies Port Royal as the main office where administrative functions will be performed. However, the only furnishings, fixtures, and equipment identified for this office (Bates page 469) are three personal computers and one laptop assuming they distribute this equipment evenly between the Port Royal office and the Hilton Head office (it was not specified). There are no desks, chairs, copiers, printers, telephones, or other office equipment identified to be located in what Tri-County claims to be the main office for administrative functions.

If there was truly a plan in place for the operation of these three offices, it may be a feasible way of creating more access to home health services throughout the county. However, it appears that Tri-County has thrown together three locations in an attempt to show coverage to the county without actually providing a plan to make this happen. Without enough clinical staffing to cover the needs of the county, what difference does three office locations make? **Tri-County does not meet this criterion.**

All applicants EXCEPT Tri-County meet this criterion.

- 3b. The proposed service should be located so that it may serve medically underserved areas (or an underserved population segment) and should not unnecessarily duplicate existing services or facilities in the proposed service area.**

Gentiva Home Health - The proposed Gentiva home health agency in Beaufort County will be located in the Bluffton-Okatie Outpatient Center, 40 Okatie Center Boulevard, in Okatie, South Carolina. This location is near the intersection of US 278 and SC 170 and is also proximal to S.R. 21 and I-95. Because US 278 travels through Bluffton and Hilton Head Island, and SC 170 is the main route to Port Royal and the town of Beaufort, this location provides easy access to both southern and central Beaufort County.

There is much discussion in this document regarding Gentiva's and the other applicants' efforts to serve the medically underserved and lower income population in the northern part of Beaufort County. Gentiva's location demonstrates a direct effort to provide direct access to this part of the county while continuing to be convenient to the central and southern areas of the county that are more densely populated. The proposed location is proximal to S.R.21 and I-95 which are the main thoroughfares used to access the northern part of the county. Unlike the other applicants,

Gentiva also has a systematic staffing plan to enhance access to services for the residents in the central and northern parts of Beaufort County. **Gentiva meets this criterion.**

SJC Home Health Services, Inc. – As stated previously, SJC located their offices in Bluffton because they anticipate that most of their referrals will be patients living in the southern part of Beaufort County who are referred from SJC and other Savannah area providers. SJC does not provide any plan for meeting the needs of the medically underserved communities in the northern part of the County. In its application, SJC focuses on serving the needs of patients that are using its health system for other services. This is just a fraction of the home health market. For example, SJC captured approximately 7 percent market share of Beaufort County residents receiving inpatient care. If SJC is only focused on these patients, they will not serve the vast majority of Beaufort County residents and have not identified how they will serve medically underserved populations. **SJC does not meet this criterion.**

Low Country Nursing Group – Interim/LNG discusses its Indigent Care Plan and charity care guidelines on Bates pages 43 to 45 of its application and states that no patient has been refused for inability to pay under its existing pediatric home health license. Interim/LNG's Indigent Care Plan requires administrative approval if the patient is below 150 percent of the Federal Poverty Guidelines. Interim/LNG estimates that 72.4 percent and 15.4 percent of Medicare and Medicaid gross revenue, respectively, in the third year of operation. Interim/LNG's Medicaid payor mix is unusually high and inconsistent with all other applicants. Interim's unusually high payor mix is likely related to its provision of pediatric care; however, pediatric patients have not been quantified; and therefore, it is unclear that there is sufficient demand for this service and how much of the projected Medicaid care is for pediatric patients versus adult patients. Interim/LNG claims to project 2.5 percent of gross revenues for charity care in Year 3; however, it projects only 1.5 percent of gross revenue for charity care. Thus, low-income patients that do not qualify for Medicaid will not have enhanced access to home health services if Interim/LNG's application is approved. **Interim does not meet this criterion.**

NHC Home Care – On Bates page 28, NHC asserts that patients will be accepted regardless of age, race, color, handicap, national origin, and ability to pay. Therefore, the medically underserved groups would likely have equal access to NHC's proposed home health services. However, there is no official Admissions Policy included in the CON application or Additional Information Responses. **NHC minimally meets this criterion.**

United Home Care of the Lowcountry – Beaufort County - The proposed service is located in the town of Beaufort so that is accessible to multiple areas of the county. UHC surveyed local providers in order to identify an accessible location in relation to underserved residents. However, outside of having a central location, UHS does not propose a systematic way of

serving the Northernmost part of the county, which represents the medically and demographically underserved segment of the target population. **UHC best meets this criterion.**

Liberty Home Care VI – Liberty states that it will not discriminate on the basis of race, color, national origin, disability, age, sex, or participation in benefits under any of its programs in its Admissions Policy. The Indigent Care Policy is provided on Bates pages 205 and 206. Admitting clinicians are asked to complete a financial eligibility form for patients at the start of care. As such, members of medically underserved groups “appear” to have access to Liberty’s proposed services. However, as discussed below, Liberty projects to provide minimal charity care, the lowest of all applicants. As a result, low-income patients will have limiting access to home health services. Liberty’s Medicaid percentage is also among the lowest.

Furthermore, Liberty discusses serving all parts of the county and cites its experience in serving coastal areas on Bates page 244; however, they give no detailed plan on how serving the northern portion of the county, which has more medically underserved residents, will be accomplished. **Liberty does not meet this criterion.**

Community Health, Inc. – Instead of providing an Admissions Policy, Community provides an Indigent/Charity Care Policy on Bates page 78 that states that it will provide care to “all clients, including the financially indigent, medically indigent Medicaid and Medicare, regardless of the client’s ability to pay.” However, Community does not assure that it will meet the home service needs of service area residents who are racial and ethnic minorities, women, the elderly, handicapped, and other medically underserved groups. Nor that these populations will have full access to home health services.

In addition, Community proclaims the ability to serve the entire county; however, Community’s choice of an office location in one of the most geographically distant locations from most of the county does not demonstrate an understanding of this market. An office in Hilton Head will make it difficult to serve the other parts of the county, which have more medically underserved, and Community does not provide a plan for how this will be accomplished. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. - Tri-County proposes three office locations to ensure that medically underserved areas and populations are served. However, its own project structure represents an unnecessary duplication of services since three locations will be established without adequate staffing, equipment, and planning to demonstrate the need for three separate physical locations. **Tri-County minimally meets this criterion.**

UHC best meets this criterion. Gentiva meets this criterion. Tri-County and NHC minimally meet this criterion. SJC, Interim, Liberty, and Community do not meet this criterion.

3c. The location of the proposed service should allow for the delivery of necessary support services in an acceptable period of time and at a reasonable cost.

Gentiva Home Health - Gentiva best meets this criterion. As explained in detail previously, the proposed office location is designed to be accessible to staff residing in all areas of Beaufort County so that all residents can receive equal access to home health services.

One of the aspects in which Gentiva's proposal best meets the needs of the citizens of Beaufort County is in its office location and systematic design to serve the medically underserved areas of Beaufort County. Gentiva's proposal identifies three main areas of the county and the licensed staff residing in these areas; projects need and staffing by zip code; and outlines the method that Gentiva believes will most successfully serve all areas of Beaufort County. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. – SJC's proposed Bluffton location was chosen to be more convenient to serving patients in the southern part of the county. Therefore, support services being provided to the central and northern parts of the county will be more difficult for staff since SJC does not have a plan in place for providing increased accessibility to these parts of the county. This lack of access will potentially lead to increased costs and patient wait times. **SJC does not meet this criterion.**

Low Country Nursing Group – On Bates pages 18 and 19, Interim/LNG proposes to serve Beaufort County using two office locations – the first, its existing office in Ridgeland, SC, and the second location in Bluffton, SC. The Applicant states that it proposes two offices to assure geographical coverage of “the entire county of Beaufort.” Interim/LNG's existing and proposed locations would make delivery of support services in an acceptable period of time difficult. Staff members traveling to and from this location would also have an additional gasoline expense. In addition, Interim projects to use a number of contracted staff. When using contracted staff, it is difficult to discern just how home health services are delivered in patients' homes. **Interim/LNG minimally meets this criterion.**

NHC Home Care – NHC proposes to establish an office in Bluffton, SC to serve Beaufort County on Bates page 17. The Bluffton location will make it convenient for staff members to access the central and northern parts of the county in an acceptable period of time. However, NHC does not recognize the unique needs of all parts of the county and does not describe a specific plan on how home health services will be provided to all parts of the service area, particularly in light of using contract therapy staff. **NHC minimally meet this criterion.**

United Home Care of the Lowcountry – Beaufort County - UHC's central location of its proposed agency office allows for support services at a reasonable time and cost. UHC surveyed residents and chose a site location in central Beaufort County currently without a home health

agency office. However, UHC projects only minimum charity care at 1.5 percent of gross revenue. UHC also projects only 2 percent Medicaid gross revenue, which is among the lowest of the applicants. Therefore, while UHC will benefit from lower travel expenses based on its central location, it will not necessarily pass these savings along to the low income and medically underserved communities it claims to target. **UHC minimally meets this criterion.**

Liberty Home Care VI – On Bates page 32, Liberty proposes to establish an office in Bluffton, SC to serve Beaufort County. Liberty’s proposed location provide access to the central and northern sections of the county. However, Liberty does not describe a plan to serve all parts of Beaufort County, nor does Liberty recognize the distinct areas of Beaufort County and the unique needs for support services among medically underserved populations. **Liberty minimally meets this criterion.**

Community Health, Inc. – Community proposes to establish an office in Hilton Head, SC, which reveals Community’s unfamiliarity with the market. Community implies that Hilton Head is the most densely populated area in the county but Hilton Head is already well covered by two existing providers and, thus, it is not a medically underserved area. In addition, as Hilton Head is at the far end and one of the most congested parts of Beaufort County, the proposed location would make staff travel to and from the office extremely time consuming. As a result, residents in the northern section of the county may not receive necessary support services in an acceptable time period. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. - Tri-County’s three locations may offer support services conveniently to all areas of the county, but this is not verified by any information in their CON application. As explained in detail throughout this analysis, Tri-County’s three location proposal lacks detail and fails to fully explain the operational structure it intends. From a cost perspective, three “fully functional” offices will add significant costs to providing to care throughout the county. An agency office located in an area with accessibility to all areas of the county and a staffing plan to address the needs of underserved communities will accomplish increased accessibility at a more reasonable cost. **Tri-County does not meet this criterion.**

Gentiva best meets this criterion. NHC, UHC, Interim, and Liberty minimally meets this criterion. SJC, Community and Tri-County do not meet this criterion.

- 3f. **The applicant should address the extent to which all residents of the area, and in particular low income persons, racial and ethnic minorities, women, the elderly, handicapped persons, and other medically underserved groups, are likely to have access to those services being proposed.**

Gentiva Home Health - As an existing provider of home health services in coastal South Carolina, Gentiva understands the challenges of serving barrier islands and inland rural communities in addition to more urban and suburban areas. Gentiva recognizes, however, that it is not always possible or practical to recruit all staff in every ZIP Code it serves. To that end, Gentiva has identified three areas of the county by zip code level and intends to recruit personnel and serve patients based upon these identified areas.

As demonstrated in the June 2, 2011 additional information submitted to DHEC, Gentiva has undertaken an analysis of existing licensed clinicians in the Beaufort County market to determine the availability of qualified staff for recruitment. Gentiva would prefer to hire local individuals first, to reduce unemployment rates in the area if possible. Beaufort County has adequate clinicians residing in all areas of the county. Gentiva has configured Beaufort County into three main zones for the purposes of recruitment and increasing the accessibility of clinical personnel to all areas of the county. Therefore, existing licensed clinicians in the area have been identified by zip code and zone.

Using the ZIP Code level projections, Gentiva has totaled the patient projections for each ZIP Code region for the first three years of operation. Using these projections, the recruitment needs for Year 3 of operation of the proposed agency is calculated for the three ZIP Code level zones. The lower volume levels in the first two years of operation may require that some staffing be shared among zones for these first two years. However, Gentiva is confident that these recruitment goals, both for Year 3 and the two year ramp-up period before it, are easily attainable and will meet or exceed the needs for each identified area of Beaufort County during the first three years of operation.

The Northern portion of Beaufort County represents the less populated, low income, and medically underserved part of the county. This medically underserved area of the county which has traditionally experienced difficulties in obtaining equal access to health services will be equally and well served by Gentiva's proposed agency. As an incentive to employees serving remote areas of Beaufort County, Gentiva has budgeted an increased reimbursement rate of 50 percent above the traditional reimbursement rate to clinicians anytime they travel more than 45 minutes or 45 miles for a patient visit. It should be noted that this enhanced reimbursement practice is standard for all Gentiva agencies, as meeting the needs of all areas served by Gentiva is a company-wide priority. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. - SJC largely disregards serving medically underserved communities and demographic groups that are traditionally underserved. Even when specifically asked by DHEC, SJC's answer [Bates Page 0652] focused on how it would primarily serve the southern Beaufort County market but would "commit to make reasonable transportation arrangements for home health employees to utilize in order to access Beaufort County patients, regardless of potential geographic barriers." SJC never elaborates on what these transportation arrangements will be. **SJC does not meet this criterion.**

Low Country Nursing Group – In regards to the admission of patients with regard to race, sex, creed, national origin, and ability to pay, Interim/LNG has included its Admissions Policy and its Patient/Client Bill of Rights on Bates pages 154 and 632. However, when the policies are closely examined, there is no language that mentions that the Applicant will not discriminate on the basis of ability to pay. In fact, the phrase "ability to pay" is not even mentioned.

While Interim/LNG has an unusually high Medicaid payor projection, it is likely related to its provision of pediatric care. However, its pediatric patients have not been quantified; and therefore, it is unclear that there is sufficient demand for this service and how much of the projected Medicaid care is for pediatric patients versus adult patients. Interim/LNG claims to project 2.5 percent charity care of gross revenue in Year 3; however, it projects only 1.5 percent of gross revenue for charity care. Thus, low-income patients and other medically underserved groups will not have enhanced access to home health services if Interim/LNG's application is approved. Interim/LNG does not provide any significant discussion of medically underserved populations. **Interim/LNG minimally meets this criterion.**

NHC Home Care – On Bates page 28, NHC asserts that patients will be accepted regardless of age, race, color, handicap, national origin, and ability to pay. These populations are likely to have access to NHC's proposed home health services. However, there is no official Admissions Policy included in the CON application or Additional Information Responses.

NHC provided an Indigent Care Plan in Exhibit L of its application. Of the applicants, NHC projects the second-highest level of charity care. As a result, charity care patients would likely have access to home health services if NHC is approved. Nevertheless, NHC projects to serve more patients with commercial payors than Medicaid patients. **NHC minimally meets this criterion.**

United Home Care of the Lowcountry – Beaufort County - UHS demonstrated access to geographically underserved areas, but did not address other demographically underserved groups such as low income persons, ethnic minorities, women, the elderly, and handicapped persons. As discussed in further detail in the "Medically Underserved Groups" criterion, UHC projects to

provide minimal charity care and Medicaid services, and thus has not demonstrated it will be accessible to low income and underserved populations.

Furthermore, UHS proposes to serve five pediatric patients (UHC Bates 924) in year three of operation. Therefore, they do not intend to focus or specialize in this patient population, even though this is a field of home health that requires specialized staffing and programs to ensure optimal outcomes. It should be noted that UHC did not include staffing information for serving the pediatric population, even though these patients require more specialized and intensely trained clinicians. **UHC minimally meets this criterion.**

Liberty Home Care VI – Liberty states that it will not discriminate on the basis of race, color, national origin, disability, age, sex, or participation in benefits under any of its programs in its Admissions Policy. Therefore, all residents are likely to have access to Liberty’s proposed services. Still, Liberty does not provide any significant discussion of medically underserved populations or the unique and diverse communities that represent Beaufort County.

Liberty’s Indigent Care Policy is provided on Bates pages 205 and 206. Admitting clinicians are asked to complete a financial eligibility form for patients at the start of care. As such, members of medically underserved groups “appear” to have access to Liberty’s proposed services. However, Liberty projects to provide very minimal charity care, 0.3 percent of net revenue, the lowest of all applicants. As a result, low-income patients will have limiting access to home health services. Liberty’s Medicaid percentage is also among the lowest. **Liberty minimally meets this criterion.**

Community Health, Inc. – Instead of providing an Admissions Policy, Community provides an Indigent/Charity Care Policy that states that it will provide care to “all clients, including the financially indigent, medically indigent Medicaid and Medicare, regardless of the client’s ability to pay.” There is no assurance that service area residents who are racial and ethnic minorities, women, the elderly, handicapped, and other medically underserved groups, will not be discriminated against and have full access to home health services. Especially considering that Community projects one of the lowest charity care percentages of the eight applicants at 0.8 percent. As a result, a very limited number of indigent and charity care residents will be served if Community were approved.

Community states that the “typical home health patient is a white female age 75+” on Bates page 27. Its explanation for this statement is supposedly a previously published version of the National Association for Home Care’s (NAHC) “Basic Statistics for Home Health” that is no longer available online. This focus on just the most typical patients does not support Community’s intent to ensure that services will be provided to all residents including medically underserved areas. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. – Tri-County describes in detail the current level of access and barriers to home health services facing the northernmost part of Beaufort County, which represents the most underserved group from a both geographic and demographic perspective. Their proposal, which includes an office in both the northern and central parts of the county, is their method for addressing this need. This would represent a good method if these offices were properly staffed, operational details were outlined, and financials were accurately forecasted. However, that is not the case. As a result, Tri-County presents a framework for a method that is not operationally feasible and will ultimately result in fragmented services throughout the county. Tri-County's failure to provide any material social work services calls into question their intent to serve low income and medically underserved populations. These patient groups typically require the most help from social workers, which Tri-County does not project to provide. **Tri-County minimally meets this criterion.**

Gentiva best meets this criterion. Liberty, Interim, NHC, UHC and Tri-County minimally meet this criterion. SJC and Community do not meet this criterion.

Medically Underserved Groups – 31a, 31d

- 31a. The applicant should address the contribution of the proposed services in meeting the health needs of members of medically underserved groups which have traditionally experienced difficulties in obtaining equal access to health services (e.g. low income persons, racial and ethnic minorities, women, the elderly, and handicapped persons), particularly those needs identified in the applicable State Health Plan as deserving of priority.**

Gentiva Home Health - Gentiva believes that the need for an additional home health agency exists in Beaufort County because of a number of geographic and demographic factors. As described in the original application, the population of Beaufort County is very old by comparison to other parts of South Carolina. Thus, the needs are much greater than most counties considering that most home health services are provided to senior adults. In addition, the population distribution ranges from very dense in the southern region of the county to very sparse in the northern region, thereby leaving this area more underserved. Not only is the density of population varied but the economic resources are varied as well. The southern part of the county has significantly higher income levels, with the central county more moderate, and the northern portion demonstrating a higher level of persons living in poverty.

Gentiva is prepared to meet the needs of all residents of the service area accommodating their individual needs including racial and ethnic needs and differences. As presented at Project Review, Gentiva already has all patient materials translated into Spanish as well as other languages. Gentiva will also hire bilingual staff to ensure the needs of all Beaufort County residents are met.

Gentiva has also planned its staffing needs and office location to ensure access to all parts of the county based on a thorough analysis of the various communities that comprise Beaufort County. Based on its experience in serving other coastal communities including Savannah, Charleston, and the Grand Strand, there is no need to have three offices to serve Beaufort County. With appropriate staffing plans, the need can be met by one centrally located office. Three offices simply add overhead and administrative costs. Travel time analysis is only marginally meaningful because clinical staff are not driving from the office to the patient in most instances. They do not need to visit the office even every day. They are typically driving from their home to visits and from patient residence to patient residence, which is why zone staffing is critical to meet the needs of the county. Gentiva is the applicant that has best documented the diverse needs of Beaufort County, located their office appropriately, planned their staffing to serve all parts of the County, and projected the payor mix to serve all patients regardless of ability to pay. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. – SJC does not address the contribution of the proposed services in meeting the health needs of members of medically underserved groups which have traditionally had difficulty obtaining equal access to health services. **SJC does not meet this criterion.**

Low Country Nursing Group – Interim/LNG discusses its Indigent Care Plan and charity care guidelines on Bates pages 43 to 45 of its application and states that no patient has been refused for inability to pay under its existing pediatric home health license. Interim/LNG's Indigent Care Plan requires administrative approval if the patient is below 150 percent of the Federal Poverty Guidelines. Interim/LNG estimates that 72.4 percent and 15.4 percent of Medicare and Medicaid gross revenue, respectively, in the third year of operation. Interim/LNG's Medicaid payor mix is unusually high and inconsistent with all other applicants. Interim's unusually high payor mix is likely related to its provision of pediatric care; however, pediatric patients have not been quantified; and therefore, it is unclear that there is sufficient demand for this service and how much of the projected Medicaid care is for pediatric patients versus adult patients. Interim/LNG claims to project 2.5 percent of gross revenues for charity care in Year 3; however, it projects only 1.5 percent of gross revenue for charity care. Thus, low-income patients that do not qualify for Medicaid will not have enhanced access to home health services if Interim/LNG's application is approved. **Interim/LNG does not meet this criterion.**

NHC Home Care – On Bates page 28, NHC asserts that patients will be accepted regardless of age, race, color, handicap, national origin, and ability to pay. NHC agencies participate in a sliding fee scale and discounts its services based upon the family income and number of family members in the household. Additionally, the Social Worker helps the patient secure funding through available mechanisms or funding sources for which they are eligible. Therefore, the medically underserved groups would likely have equal access to NHC's proposed home health services. However, there is no official Admissions Policy included in the CON application or Additional Information Responses. **NHC minimally meets this criterion.**

United Home Care of the Lowcountry – Beaufort County - UHC undertook an analysis to determine a geographically advantageous location in Port Royal, where there is currently no existing home health provider. UHC claims that this location was at least in part chosen to improve accessibility to underserved communities. However, UHC does not describe a plan to ensure access or sufficient staffing to all parts of the service area. Further, UHC's charity care and Medicaid projections are among the lowest of the applicants as demonstrated in the analysis and discussion of Criterion 31.d. UHC claims to target underserved communities, however; its payor mix does not reflect this commitment. **UHC minimally meets this criterion.**

Liberty Home Care VI – Liberty states that it will not discriminate on the basis of race, color, national origin, disability, age, sex, or participation in benefits under any of its programs in its Admissions Policy. The Indigent Care Policy is provided on Bates pages 205 and 206. Admitting clinicians are asked to complete a financial eligibility form for patients at the start of care. As such, members of medically underserved groups “appear” to have access to Liberty’s proposed services. However, as discussed below, Liberty projects to provide minimal charity care, the lowest of all applicants. As a result, low-income patients will have limiting access to home health services. Liberty’s Medicaid percentage is also among the lowest.

Furthermore, Liberty discusses serving all parts of the county and cites its experience in serving coastal areas; however, they give no detailed plan on how serving the northern portion of the county, which has more medically underserved residents, will be accomplished. **Liberty minimally meets this criterion.**

Community Health, Inc. – Instead of providing an Admissions Policy, Community provides an Indigent/Charity Care Policy on Bates page 78 that states that it will provide care to “all clients, including the financially indigent, medically indigent Medicaid and Medicare, regardless of the client’s ability to pay.” However, Community does not assure that it will meet the home service needs of service area residents who are racial and ethnic minorities, women, the elderly, handicapped, and other medically underserved groups. Nor that these populations will have full access to home health services.

In addition, Community proclaims the ability to serve the entire county; however, Community’s choice of an office location in one of the most geographically distant locations from most of the county does not demonstrate an understanding of this market. An office in Hilton Head will make it difficult to serve the other parts of the county, which have more medically underserved, and Community does not provide a plan for how this will be accomplished. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. - Tri-County extensively identifies medically underserved groups and locations and addresses the contribution an additional home health agency would bring. However, its plan for serving these citizens and areas is minimal in narrative detail and its staffing and budget projections indicate that that the proposed plan is not feasible.

In addition, one of the services/staff proposed by Tri-County that is key in serving the indigent and medically underserved communities is the medical social worker. MSW visits are particularly critical for the most underserved populations including low income individuals and patients living in more rural areas. MSWs arrange for critical support services such as transportation to doctors visits and help with meals, for example. Tri-County cannot meet the

needs of the most underserved populations without providing critical social work services. In their manpower budgets, Tri-County proposes 0.00 FTE for medical social work and only projects three MSW visits for Year 3 of operation. This demonstrates a lack of understanding of the home health needs of low-income and medically underserved patients. **Tri-County minimally meets this criterion.**

Gentiva best meets this criterion. UHC, NHC, Liberty and Tri-County minimally meet this criterion. SJC, Community, and Interim do not meet this criterion.

31d. Consideration should be given to the extent to which Medicare, Medicaid, and medically indigent patients are served by the applicant.

The following tables summarize the payor mix of gross revenue and charity care provision, as calculated based on each applicant's pro forma. These comparison clearly identify the applicants that will be most accessible based on the extent to which they project to provide Medicare, Medicaid, and Medically indigent care.

Percent of Gross Revenue by Payor - Year 3					
	Medicare	Medicaid	Self Pay	3rd Party	Other
Gentiva	93.7%	3.5%	2.1%	0.7%	0.0%
SJC	88.6%	2.9%	0.8%	7.7%	0.0%
Community	76.9%	5.6%	1.0%	0.0%	16.5%
Liberty	80.3%	2.8%	0.0%	16.6%	0.3%
Interim*	72.5%	15.4%	0.0%	10.8%	0.0%
NHC	91.0%	3.0%	0.0%	4.0%	2.0%
UHC	94.3%	2.4%	1.5%	1.8%	0.0%
Tri-County	84.9%	4.4%	0.0%	10.7%	0.0%

* Calculated based on assumptions on Bates page 635.

Charity Care Projections – Year 3

	Charity Care	Percent of Gross Revenue	Percent of Net Revenue
Gentiva	\$ 55,904	3.0%	3.1%
Tri-County*	\$ 38,165	1.6%	1.9%
UHC	\$ 24,015	1.5%	1.6%
NHC	\$ 23,144	2.0%	2.3%
Interim	\$ 12,100	1.5%	1.7%
SJC	\$ 8,881	0.8%	0.8%
Community	\$ 4,276	0.8%	0.9%
Liberty	\$ 2,760	0.3%	0.3%

Gentiva Home Health - Gentiva's projected payor mix reflects the greatest level of accessibility of all the applicants. In addition, Gentiva is the most accessible in terms of charity care. As shown in the exhibit above, Gentiva projects the highest level of care to patients funded by Medicare, Medicaid, and indigent care of all the applicants. In addition, Gentiva has budgeted indigent care in an amount equal to 3 percent of gross revenues. Given that most home health patients are above the age of 65, Medicare and Medicaid comprise the vast majority of home health patients (as evidenced by our projected payor mix). While 3 percent probably exceeds the actual need for indigent care given the payor mix, Gentiva has budgeted and committed this amount to ensure care to all patients regardless of ability to pay. In addition, because Gentiva anticipates that it could take several months to receive Medicare certification following the agency opening, Gentiva has budgeted 5 percent of gross revenue to indigent care in year 1. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. – After the first year of operation, SJC projects that its indigent care commitment to the agency will equal 0.8 percent of its gross revenue. This is among the lowest of all the applicants. While its Medicare and Medicaid utilization projections are not among the lowest of the applicants, they are not the strongest of the applicants either. The large percentage of gross revenues projected to come from third party payors reflects its intent to primarily serve the more affluent Southern area of Beaufort County. **SJC minimally meets this criterion.**

Low Country Nursing Group – Unlike the other applicants, Interim/LNG did not provide gross revenue by payor in any of its application filings. Instead, the Applicant provides patient by payor source in its additional information filing received June 7, 2011. Using the assumptions provided on Bates page 635, it appears that Interim/LNG projects only 72.4 percent Medicare revenue and 15.4 percent Medicaid revenue. While this level of Medicaid provision seems laudable, it is so far out of line with the other applicants its validity must be questioned. The Medicaid provision is presumably related to pediatric services although Interim has not documented how many pediatric patients it will serve. Given that there is minimal need for pediatric services, this level of Medicaid appears unlikely and unreasonable. **Interim does not meet this criterion.**

NHC Home Care – NHC did not project self-pay gross revenue but instead projected indigent care gross revenue, which is identified as “Other,” which is two percent, in the Percent of Gross Revenue table on Bates page 272. Interestingly, NHC projects to serve more patients with commercial payors than Medicaid patients. Of the applicants, NHC projects the second-highest level of charity care. As a result, charity care patients would likely have access to home health services if NHC is approved. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County – UHC projects a payor mix that will serve 98 percent of its patients having Medicare, Medicaid, and Indigent Care funds as its payor sources. In addition, UHC projects in its financial model to allocate 1.5 percent of its gross revenue to charity care and 2 percent to Medicaid in its third year of operation. Many applicants projected a higher level of Medicaid provision. **UHC meets this criterion.**

Liberty Home Care VI – As shown in the preceding tables and on Bates page 273, Liberty projects the highest percentage of gross revenue by third party/commercial payors at 16.6 percent for the third year of operation. In fact, Liberty projects among the lowest percent Medicaid and Medicare percentages of all applicants. Liberty does not project to serve any self-pay patients, yet has an indigent care projection of 0.3 percent. Granted, if one were to round the percentage, the number is so small that the projection would in fact be zero. Thus, indigent patients will have extremely limiting access if Liberty is approved. **Liberty minimally meets this criterion.**

Community Health, Inc. – As shown on Bates 128 and 323 and in the preceding tables, Community projects the highest percentage of gross revenue by other payors at 16.5 percent for the third year of operation. Community projects to serve more “Other” patients than Medicaid patients, which is projected at 5.6 percent and the highest of all applicants. Community’s explanation for this is merely that all other payors is the “percentage remaining after the Medicare, Medicaid and Indigent/Charity Care payors distribution.” In addition, for reasons that were not fully explained, Community projects charges lower than what Medicare pays per episode; so, there is a positive Medicare contractual as opposed to negative. Charging lower

than what a home health agency can be reimbursed for is another example of Community's lack of experience in operating a home health agency.

Additionally, Community projects one of the lowest charity care percentages of the eight applicants at 0.8 percent. With only \$4,273 of charity care projected in the third year of operation, a very limited number of indigent and charity care residents will be served if Community were approved. **Community minimally meets this criterion.**

Tri-County Home Health Care and Services, Inc. - Tri-County projects that 84.9 percent and 4.9 percent of its gross revenue will come from Medicare and Medicaid respectively. Their Medicare percentage represents the median for the eight applicants and their Medicaid percentage is the second highest overall. In the original CON application (Tri-County Bates Page 18), Tri-County states, "Socioeconomic analysis indicates there is likely a greater need for charity care in Beaufort County; therefore Tri-County is budgeting for 3% charity care and is willing to increase this commitment if necessary to meet the needs of the residents of Beaufort County." This commitment statement reconciles with its Beaufort County income statement included with its June 10, 2011 submission; however, the projected Medicaid and charity care amounts for Beaufort County are higher than their baseline projections. Similarly, Tri-County projected higher Medicaid and charity care for Aiken County compared to their experience. It appears even with the opening of the Aiken County office, Tri-County's average Medicaid provision is 3 percent of gross revenue and charity care is 1.5 percent of gross revenue, thus calling into question their intent to provide a higher level of care in Beaufort County. **Tri-County minimally meets this criterion.**

Gentiva best meets this criterion. NHC and UHC meet this criterion. SJC, Liberty, Community, and Tri-County minimally meet this criterion. Interim does not meet this criterion.

Record of the Applicant (Owner and/or Administrator) – 13a, 13b

13a. The applicant's experience should be one of successful operation with adequate management experience.

Gentiva Home Health – As detailed earlier in the analysis of 2010-2011 SC Health Plan Standard #6 for Home Health, Gentiva has a track record that demonstrates a commitment to quality services. The Gentiva family of companies has been providing services for over 4 decades. Gentiva currently operates over 312 home health agencies in 42 states. Because of its depth of experience, Gentiva has a consulting division that assists other home health agencies with starting new locations and turning around existing agencies that are struggling.

Most importantly, though, Gentiva's involvement in nationally recognized quality initiatives and record of low deficiencies in the Carolinas and throughout the country set it apart from the other applicants. Specifically, Gentiva has been involved with the HHQI since its inception and 100 percent of its branches participate. Gentiva has also served on technical and expert panels for the CMS, the Agency for Healthcare Research and Quality, and the Medicare Payment Advisory Committee. However, its deficiency record is incomparable. With a two percent agency deficiency rate in the Carolinas and a 0.6 percent agency deficiency rate nationally (representing two total deficiencies out of 308 Medicare providers), Gentiva's quality of care speaks for itself. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. – As stated previously, SJC's proposed agency will be operated by an outside management company that is currently unidentified. It is impossible to evaluate the quality record of the unnamed management company based upon the information given in the CON application. SJC, as a hospital system, does not focus on the provision of home health services. Their home health agencies in Georgia are operated under a management agreement with CareSouth. Neither CareSouth nor any other provider has been named as the management company for the proposed agency; therefore, there is not a track record to evaluate. **SJC does not meet this criterion.**

Low Country Nursing Group – Interim/LNG has outlined its experience and that of its franchised owners, Dawn Costanza and Paula Tharp on Bates pages 44 to 46. Ms. Costanzo has five years experience as a registered nurse. Ms. Tharp has a mother who requires long-term care. Together they bought an existing Interim private duty franchise in South Carolina in 2006. In 2010, they began offering pediatric home health services for patients 0 to 18 years of age. Interim also briefly discusses the experience of its parent company, Interim. Interim/LNG has limited experience in the operation of a home health agency. Since the existing agency, based in Charleston, was acquired, it does not appear that Interim/LNG has any experience with the start-up of new agencies. There is no documentation in the application that indicates LNG (the

franchisee) will have assistance from Interim for the start up of the new agency. **Interim/LNG minimally meets this criterion.**

NHC Home Care – As stated on Bates page 50, NHC began as a rehabilitative services provider in South Carolina in 1974. The Applicant began home health services in 1976. NHC has grown from five locations to 36 home health agencies in three states. Currently, NHC serves home health patients in nine South Carolina counties - Aiken, Berkeley, Dorchester, Greenville, Greenwood, Laurens, Lexington, Richland, and York. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County – UHC has experience in a variety of healthcare settings: skilled nursing facilities, hospice, and home health. However, UHC has a record of deficiencies in its South Carolina based skilled nursing facilities, though they failed to provide the details on which to assess the level of these deficiencies in their CON application and related responses. While UHC has experience in providing home health services, UHC lacks experience in home health in South Carolina and did not address the deficiencies (or lack thereof) which may have been cited in their existing Georgia agencies. **UHC minimally meets this criterion.**

Liberty Home Care VI – Liberty described the experience of Liberty Home Care (established in 1994) on Bates page 9 and 53, John McNeil, Jr. and Ronald B. McNeil (its owners), and one of its management companies, Home Care Management. The McNeils have been involved in offering a variety of health care services since the 1970s. Home Care Management Services is led by Anthony J. Zizzamia, who has 35 years in the health care field. However, Liberty failed to provide the experience of Liberty Healthcare Management (LHM), which will provide the back-office support functions. With such important tasks as accounting, human resources, and risk management, the experience of LHM is crucial, yet it is absent. **Liberty minimally meets this criterion.**

Community Health, Inc. – As stated in Community's own words on Bates page 43, "Community Health, Inc. does not own any Medicare certified home health agencies in South Carolina or in other states." Simply put, community has no experience in the proposed health care field, which is home health services, not hospice. Community attempts to mask the differences between hospice and home health repeatedly in its application. However, the differences are clear and involve two different philosophies:

- Hospice's focus is on quality of life and patient comfort, pain and symptom management, education, and emotional and spiritual support. Hospice care is for people with a life-threatening illness.

- Home health agencies focus on rehabilitation and traditional medical management for homebound patients where the goal is cure and rehabilitation of the physical body.²

And while a few of its newer executives may have some experience in home health, the truth remains that the company itself has no experience in providing the proposed service. If its CON application were approved, Community would suffer a learning curve, during which service area residents would be forced to withstand. Beaufort County residents deserve to have an experienced home health provider. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. – In its August 10, 2011 submission to DHEC (not Bates stamped when received), Tri-County states that there have been no “unresolved deficiencies” cited by DHEC in its existing South Carolina agencies over the last year. However, it does not clarify if there were deficiencies cited by DHEC that were ultimately resolved. **Tri-County meets this criterion.**

Gentiva best meets this criterion. NHC and Tri-County meet this criterion. UHC, Interim and Liberty minimally meet this criterion. Community and SJC do not meet this criterion.

13b. The applicant should have a demonstrated ability to obtain necessary capital financing.

Gentiva Home Health - Gentiva intends to finance this project through internal funds. Gentiva provided to DHEC in its application a letter from the VP, Treasury and Investor Relations of Gentiva Certified Healthcare Corp which affirms its willingness to fund the proposed project out of cash reserves. Gentiva also provided a copy of the most recent 10-Q SEC filing which verified that Gentiva had in excess of \$80 million cash on hand at the end of 3rd quarter 2010. Gentiva considered obtaining outside financing for this project, but chose to finance internally as the absence of financing costs will result in an overall lower total project cost. **Gentiva meets this criterion.**

SJC Home Health Services, Inc. – On Bates page 00156, SJC provides a letter dated November 9, 2010, from its CFO, Gregory J. Schaak, CPA, stating that it will fund the project from current operating funds. It should be noted that this letter does not document the availability of these funds. **SJC meets this criterion.**

Low Country Nursing Group – On Bates 220, Interim/LNG provides a funding letter dated April 7, 2011 from Leo A. Fary, Jr., Treasurer of Hitrak Staffing, Inc. The letter states that the

² <http://alivehospice.org/blog/2010/02/12/whats-the-difference-between-hospice-and-home-health/>

ownership interests of Lowcountry Nursing Group (LNG) are as follows: Dawn Costanzo (25 percent), Paula Tharp (25 percent), and Hitrak Staffing, Inc. (50 percent). The letter also states that HiTrak Staffing will fund the project using accumulated reserves. A bank letter from BB&T, dated April 7, 2011, states its average daily balance over the past 12 months and collected available balance is provided to support that such funding will be available. **Interim meets this criterion.**

NHC Home Care –NHC provides its funding letter from NHC's Senior Vice President and Controller, Donald K. Daniel, on Bates page 39. The letter commits that all the necessary funds for the operation and working capital for the proposed project will be made available on immediate notice. Financial statements are provided in Exhibit I of the application on Bates pages 86 to 93 of the application. **NHC meets this criterion.**

United Home Care of the Lowcountry – Beaufort County – UHC provides a letter from Phillip Small, CPA, CFO, which documents the availability of all funds necessary for any fixed and working capital required for the first 20 months of operation in Beaufort County. In addition, UHS commits to provide up to \$600,000 in funds to successfully develop and operate the proposed project with cash from ongoing operations. **UHC meets this criterion.**

Liberty Home Care VI – Liberty provides a funding letter from Liberty Homecare Group dated March 17, 2011 on Bates page 122. It is addressed from Joe Calcutt, Chief Financial Officer, and states that Liberty Homecare Group, the parent company, will supply the funding for the development and start-up expenses for Liberty. However, the Applicant failed to provide the bank statement or financial audit for the parent company in any of its submissions to DHEC. As a result, there is no way to determine if Liberty Homecare Group has an adequate amount of cash reserves available to fund the project, leaving the financial feasibility of the project in question. **Liberty does not meet this criterion.**

Community Health, Inc. – Community provides documentation of funding on Bates 293 in its first Additional Information filing. The letter is dated May 26, 2011 and is addressed from Community's Chief Financial Officer. The letter asserts that liquid resources will be used to develop and operate the home health agency. Community includes audited financial statements to verify the availability of such funds. **Community meets this criterion.**

Tri-County Home Health Care and Services, Inc. – On Bates page 218, Tri-County successfully demonstrated that it has substantial cash reserves and an unrestricted line of credit up to \$15,000,000. **Tri-County meets this criterion.**

All applicants EXCEPT for Liberty meet this criterion.

Financial Feasibility – 15

15. **The applicant must have projected both the immediate and long-term financial feasibility of the proposal. Such projection should be reasonable and based upon accepted accounting procedures.**

All applicants provided project costs and start up costs; however, many applicants did not include the full cost required to implement the proposed agency including allocation of existing costs and/or exclusion of costs required. No other applicant included any costs for build out, wiring, telecom/IT installation or other associated costs with making leased space ready for their use. It is unrealistic to believe that a new home health agency could move into office space and not incur some costs to make the space ready for their use. Some agencies included office equipment but not medical equipment such as Tri-County, Interim/LNG, and Community. As a result of these oversights, only Gentiva identified all possible costs required to fully implement the proposed project. The following table summarizes the project costs for all applicants.

Applicant :	Project Cost
Gentiva	264,133
Liberty	132,611
Community	96,879
Interim	83,010
SJC	73,023
Tri-County	73,000
NHC	70,000
UHC	34,403

On June 30, 2011, DHEC issued a memo requesting that all applicants provide start up costs in the same format to include 3 months of expense that would be incurred prior to opening. The purpose of this memo was to ensure that applicants provided start-up costs in equivalent terms that could be comparatively review. Despite these instructions, many applicants provided substantially fewer than 3 months expenses and did not include specific line items requested by DHEC. Detailed supplemental analyses provided with Gentiva's October 25, 2011 submission, documents a side by side comparison of all start up costs, showing the number of items that applicants did not include or understated. The following table summarizes the total costs submitted by each applicant. Only Gentiva complied with DHEC's request and included all expenses identified in DHEC's memo.

Applicant :	Start Up Cost
Gentiva	529,003
NHC Homecare	125,613
Liberty	115,399
Interim	104,086
Community	96,879
Tri-County	83,168
UHC	79,231
SJC	42,827

Gentiva Home Health - Gentiva has accounted for all possible costs associated with the proposed project. Unlike many of the other applicants, Gentiva has truthfully and thoroughly accounted for all start-up expenses associated with the establishment of a new agency in Beaufort County. Unlike any of the other applicants, Gentiva's start-up costs include three months salaries for all clinical and non-clinical staff. Many of the other applicants did not even include clinical staff in the start up expenses, which would convey the assumption that they do not intend to train their staff prior to direct patient care. In all likelihood, Gentiva's start-up costs and total project costs have been overstated in an abundance of caution to account for all potential scenarios and ensure a financially feasible project in both the short and long term.

In addition to providing detailed project costs and start-up costs, Gentiva provides a detailed pro forma income statement for the proposed agency for the first three years of operation. These projections include well documented assumptions including:

- utilization including recertification rate (CON page 35 Attachment 15),
- charges (CON page 43 and Attachment 15),
- payor mix (CON Attachment 15)
- basis for reimbursement levels (CON Attachment 15)
- staffing levels and travel assumptions (CON page 46)
- salary inflation and benefit percentage (CON Attachment 15)
- lease expense based on site documentation (CON Attachment 15 and 24)

- depreciation and amortization based on documented equipment costs and total project costs (CON Attachment 2, 15, and 24)

Based on this information, Gentiva expects to operate at a loss of \$62,262 in the first year of operation, and generate a positive net income of \$123,371 and \$264, 145 in the second and third years of operation respectively. Gentiva has documented all capital and start up costs as well as the short term and long term financial feasibility of the project. **Gentiva best meets this criterion.**

SJC Home Health Services, Inc. - SJC proposes to use a management company to operate the proposed agency. SJC similarly uses a management company to manage its three agencies in Georgia. SJC has not identified the entity that it will use to manage the proposed Beaufort County agency, and as such, its projections are speculative at best. For example, the unnamed management company may choose to staff the agency entirely differently than the projections in the application. The management fee, at 6 percent of net revenue may turn out to be substantially higher. All therapy staff and social work staff are projected to be contracted but SJC has not identified who their unknown management company will contract with to provide this service. Contract rates appear to be low and are not supported with documentation.

SJC's start up costs is the lowest of all applicants. SJC provides sufficient detail to support its start up costs; however, SJC did not comply with DHEC's request for 3 months of expense for staff as an example. Based on SJC's year 1 projections, it appears that SJC included less than two weeks of expense for staff prior to opening.³ This clearly is insufficient to establish a new office and train staff appropriately. SJC mistakenly includes professional fees for CON preparation in its project costs but fails to include these costs in the start-up costs as requested by DHEC. SJC's project costs are also minimal and are not supported by any documentation, thus it cannot be determined for example whether the equipment costs include office equipment, medical equipment or both. **SJC minimally meets this criterion.**

Low Country Nursing Group – Interim/LNG has failed to show that its proposed project will be financially feasible. The pro forma provided on Bates page 630 of its application package shows that Interim/LNG will have a Net Income of just \$4,760 in its second year of operations and just \$44,142 in Year 3. A positive bottom line of just \$44,142 questions feasibility and if any expenses are understated. Interim/LNG's low Net Income in Years 2 and 3 raises concerns regarding the financial feasibility of the project. Furthermore, the proposed project could take a significantly longer period of time to show a profit if Interim/LNG fails to reach its utilization

³ Pre-opening costs include four weeks for two administrative positions and two weeks for the medical director. No clinical positions are included and there is no description of how training will occur.

projections, which are unsupported and are not realistic based on Interim/LNG's lack of experience with a new start up agency.

Interim/LNG did not provide the percentage of pediatric patients for each of the first three operating years. Therefore, the accuracy of its financials cannot be validated. Yet, its payor mix and visits per patient are greatly impacted by the patient mix. Interim/LNG estimates that 72.4 percent and 15.4 percent of gross revenue will be for Medicare and Medicaid patients, respectively, in the third year of operation. Interim/LNG's Medicaid payor mix is unusually high and inconsistent with all other applicants. Interim's unusually high Medicaid payor mix is likely related to its provision of pediatric care; however, pediatric patients have not been quantified; and therefore, it is unclear that there is sufficient demand for this service and how much of the projected Medicaid care is for pediatric patients versus adult patients.

Interim/LNG projects just 11 visits per patient in each of the first three years of operation. Interim's estimate is substantially low compared to the other applicants, which average 22 visits per patient. As stated previously, its visits per patient are likely the result of Interim/LNG's provision of pediatric care. However, there are not enough assumptions provided to justify the overall lower number of visits per patients. Nor is there justification on why charity care patients are projected to receive 15 visits per patient, while commercial and Medicaid patients receive much less. Interim's contract rate for RN clinical staff appears to be low in the first year of operation.

Interim is the only applicant that includes interest expense because they are not funding the project from cash reserves. While Interim has adequately documented the availability of these funds, using this source of funds adds additional interest expense to the project that the other applicants will not incur. For this reason, Interim is less cost effective. Based on all of these reasons, Interim/LNG's proposed project is questionable. **Interim/LNG does not meet this criterion.**

NHC Home Care - NHC's financial projections cannot be verified due to the lack of sufficient assumptions related to Medicare episodes. NHC's visits per patient are unusually and inexplicably high visits per patient at almost 38. (Bates page 242) It is unclear whether sufficient staff are provided for such a high level of visit volume, particularly therapy staff, since all therapy visits will be contracted. No source for contract services. Finally, it is unclear whether NHC has considered Medicare re-certifications as no projections of Medicare episodes are provided. Since no information is provided on Medicare episodes, reimbursement cannot be verified.

NHC's start up costs do not include any clinical salaries, thus it is unclear how staff will be trained prior to the start of service provisions. While NHC has included administrative salaries

for three months, there appears to be no clinician pay to correspond with training. In addition, the \$15 thousand allocated for CON preparation and Other Professional Fees and Costs seems considerably understated considering the involvement of attorneys and consultants in the development of the CON application and responses. NHC did not account for any starting inventory of supplies, deposits for utilities, licenses and permits, advertising and promotion, printing, or travel expense prior to opening.

NHC also does not provide for any medical equipment in its project costs and start up costs. Only office equipment is considered. NHC also notes on Bates page 271 that it will use some furniture currently in storage. The fair market value or book value of such furnishings is required to be included in its project costs. **NHC does not meet this criterion**

United Home Care of the Lowcountry – Beaufort County – UHC projects to have the lowest project costs of all applicants at \$34,403. It does not appear to be reasonable or realistic to open a new home health agency office for this minimal amount of money. UHC identifies only \$5,200 of equipment cost on Bates page 1030, yet on Bates page 960 identifies \$24,200 of office equipment and computers. Other costs of \$29,203 are unsupported and it is unclear what is included in this figure. No medical equipment costs have been included.

Like many of the applicants, some of UHC's start-up costs lack basis or explanation and appear to be understated. For example, in UHC's proforma financial projections on Bates pages 0971 and 0972, the total for annual salaries for clinical and non-clinical staff in year 1 is \$317,842. This equates to \$26,486/month or \$79,458 for 3 months. However, the FTE/Training line total in the start-up summary on Bates pages 0960 is \$41,977. No breakdown or calculations are given for the start-up salaries. Given that one month of total clinical and non-clinical salaries is \$26,486 BEFORE taxes, benefits, training materials, and instructor/instructional costs, \$41,977 for a three-month start-up appears to be low.

Ms. Brant's June 30, 2011 memo which gave guidelines for compiling start-up costs lists a number of items which are often included in typical start-ups. One of these was "Starting inventory, raw materials, tools (medical supplies and equipment; office and other supplies)." UHC lists "Supplies" as a line item in its start up costs; however, it is not specified whether these are office supplies or a starting inventory of medical supplies. Nonetheless, the \$785 allocated for "Supplies" could not begin to cover office supplies, fixed medical equipment (blood pressure cuffs, thermometers, pulse oximeters, coagucheck equipment, etc.), and disposable medical equipment needed for starting inventory.

These questionable figures appear to be unexplained in UHC's assumptions. In addition, UHC's Gross Revenue appears to be miscalculated given the number of admissions, recertification factor, and revenue per episode listed in their financial projections. Given these reasons, UHC's

feasibility in meeting their project costs and start-up projections is questionable. **UHC minimally meets this criterion.**

Liberty Home Care VI – As stated previously, the financial feasibility of the project is questionable due to the lack of documentation of funding for the proposed project. The Applicant failed to show that Liberty Homecare Group, the parent company, had the funds necessary to provide the development and start-up expenses for Liberty.

In addition, assuming that total visits includes all payor sources and that 71 percent of visits are Medicare per its payor mix, the visits per episode for Medicare seem low. Liberty's projections are 14.5 in Years 1 and 2 and 15.0 in Year 3. A typical visit per episode under such circumstances is between 16 and 18.

Liberty presents conflicting information on Bates page 127. The Applicant states that the "Visit percentage by discipline was taken from the 2010-2011 South Carolina Health Care Plan" but then four lines down states that the visits per discipline were based on Liberty's historical experience. It is unclear which of these is correct.

According to the Profit and Loss Statement on Bates page 273, the cost per visit for the Per Visit/Contract Staff is as follows:

- \$60.28 in Yr 1
- \$55.82 in Yr 2
- \$55.07 in Yr 3

There is an unexplained 8.6 percent decline between Years 1 and 3 when it would be expected these costs would increase annually due to inflation. However, Liberty failed to clarify how these numbers were calculated and whether the costs include benefits. These costs could not be recreated using the visits and charge rates provided on Bates page 127.

Furthermore, Liberty fails to provide pertinent and correct information regarding start up costs in its Additional Information Response dated August 3, 2011. The Operations Manager is listed at six weeks for \$8,654. However, 40 hours x 6 weeks x \$38.25 equals \$9,180 before benefits, not \$8,654 as Liberty states. Liberty also fails to mention why the Operations Manager is only projected to work six weeks instead of the full three months prior to opening. Nor does Liberty explain why it would pay an RN such a low start-up salary as \$10,382 / 90 days equates to an annual salary of \$41,528. Given that the skilled nursing expense is projected at \$61,848 the first year of operation, a salary of \$41,528 based on assumptions during start-up is considerably low. Other than the Operations Manager, Scheduler, and one RN, no other staff salaries are considered in the start-up costs. There is no consideration for clinical training and orientation prior to opening.

Further, Liberty fails to include consulting fees for CON preparation in either its project costs or start-up costs, which clearly is an oversight given the involvement of a consultant in the project. Liberty also does not provide for medical equipment in its cost estimates. All equipment costs identified are for furnishing and computer/telecom equipment. Thus, Liberty's project costs and start-up costs are understated.

Liberty's oversights and undocumented expense and costs make its financial projections unreliable and unfeasible. **Liberty does not meet this criterion.**

Community Health, Inc. – Community's financial projections are unusual in that its net revenue is projected to be higher than its gross revenue on Bates page 323. For reasons that were not fully explained, Community projects charges lower than what Medicare pays per episode. Charging lower than what a home health agency can be reimbursed for is not only unc customary but is also exemplary of Community's lack of experience in operating a home health agency. There is a 34 percent reduction under contractual allowances for Medicare, which is an enormous number for adjustments. As a result, there is a positive Medicare contractual as opposed to negative. Based on 78 Medicare patients in Year 1, revenue per episode would equate to \$3,507 per patient for gross revenue and \$2,303 per patient for net revenue.

Community's lease amount is also confusing. According to the commercial lease on Bates page 266, the Applicant is to pay a monthly base rent of \$15,000 for the first year of the lease agreement. The monthly base rent shall increase 2 percent after Years 2 and 3. According to the pro forma on Bates page 324, community will pay \$15,000 the first year of operation, not the first month. The discrepancy makes the financial projections inconsistent or the lease agreement invalid.

In addition, Community proposes the lowest salary expense per FTE of all the applicants on Bates page 323. Its expenses for salary, benefits and wages are also considerably lower than the others at just \$391,832.50 the third year of operation, which is the lowest salary and wages of the applicants. A major concern of Community's submission is that it does not project to have a need for 1 full FTE of any discipline by the third year of operation. How can Community fully address the home health needs of the community when it will not even employ 1.0 FTE nurse or physical therapist to visit patients? Community's projections are also low because it projects to use staff with less skill and training and employ LPNs and therapy assistants at a lower level of training. This also impacts quality of care. The combination of the positive contractual allowances and low staffing model results in a high gross margin, over 60 percent.

Furthermore, Community does not consider any build-out costs or any costs necessary to configure space in its startup expenses. Nor does Community include any expenses for medical

equipment in its equipment cost budget. Equipment rental does not begin until Year 3. There is no explanation regarding how these items will materialize.

Community also does not include sufficient start up costs on Bates page 344 as required by DHEC. There is only two months of rent allocated for start-up as opposed to three months. Additionally, only 16 hours of training are covered for clinical personnel during the start-up period. The initial start-up summary notes two months of training, not two days. Two days is not a sufficient amount of time to train new field clinicians. Furthermore, the administrative salaries during the start-up period do not appear to include the supervisor.

Community identifies \$28,640 of office furniture and IT/telecom equipment cost on Bates page 354 but only includes \$15,700 in its start-up costs and project costs.

Community's project costs and start costs are understated and unreliable are understated and unreliable. **Community does not meet this criterion.**

Tri-County Home Health Care and Services, Inc. - Tri-County has failed to consider all of the capital costs associated with developing three office locations. The proposed three offices will not be able to function as they envision because they have not been adequately planned for. Given the lack of planning and proposed costs, it suggests that Tri-County's planned office simply give lip-service to a plan to meet the need and attempt to disingenuously distinguish their project from other applicants.

Tri-County's project costs appear to simply consider equipment and consulting fees. Equipment needs are minimal. In Exhibit 7 to the original CON (Bates page 139), Tri-County identifies the equipment needed for the total project. This equipment totals \$16,500, which they have then spread over three offices. However, there is not enough equipment to cover three offices. For example, they have only identified one desk. Apparently there will not be a single desk at two of the three offices. They have only identified one combine copier/fax at \$300. With this low price tag, it is not even a full copies but simply a desktop combined scanner/fax. Again, only one of the three offices will have this piece of equipment. At Port Royal, there are 6 PCs and 2 laptops but no desks or chairs where staff may use this equipment. This is just one example of the poor planning that has gone into the three office locations.

Not only has Tri-County failed to adequately plan for office equipment, they have include no medical equipment for the proposed agency. They describe equipment and service offerings such as glucose monitoring and coagulation monitoring, yet there is not even basic blood pressure cuffs and pulse-ox monitors included in their project costs. How can a health care service be offered with absolutely NO medical equipment? It cannot. These costs must be included in the project and adequately budgeted and planned for. Furthermore, none of the

office locations have included the cost to build-out, wire or adapt the space for the needs of Tri-County's proposed project.

Tri-County has not fully provided the required start-up costs requested by DHEC. On June 20, 2011, DHEC issued a memo identifying the start-up costs that the home health applicants should include in their application. This memo provided a clear definition of start-up costs with the intent of capturing equivalent information from applicants to perform an "apples to apples" comparison. Tri-County did not provide all of the required start up costs identified by DHEC. Most importantly, staffing costs are not included. It is unrealistic to assume that on the first day of operations, all new agency staff will begin and start serving patients. Three months of salary and benefits costs for Tri-County would equate to at least \$26,821, which was not included. Many other start-up costs identified by DHEC were not included as well. This shortcoming demonstrates that Tri-County has not fully evaluated the full costs to start up a new agency location.

Tri-County does not account for sufficient salary expense to support its proposed project. This is demonstrated by the fact that Tri-County project proposes lower salaries than it proposed in its Aiken County application just two years ago. The following table compares 2012 salaries by position from the Aiken County CON and the proposed Beaufort County CON. Administrative Salaries on average are over \$16 thousand per FTE lower in Beaufort County than Aiken County. RN salaries are over \$14 thousand per FTE lower in Beaufort County. Both the OT and ST salaries are almost \$10 thousand per FTE below Aiken County. Average salaries per FTE for Other Staff are over \$5,700 less in Beaufort than Aiken. If the salaries per FTE were adjusted to Aiken County levels, the projected financial performance of the Beaufort County project would be reduced by over \$52,000.

Comparison of Beaufort and Aiken County Salary Levels					
	Beaufort County			Aiken	Variance
Tri-County Staffing	2012	2013	2014	2012	for 2012
Administrative	\$ 49,863.57	\$ 50,367.24	\$ 50,876.00	\$66,150.00	\$16,286.43
RN	\$ 48,309.13	\$ 48,797.10	\$ 49,290.00	\$62,400.00	\$14,090.87
LPN	\$ 29,363.80	\$ 29,660.40	\$ 29,960.00	\$ -	
PT	\$ 73,513.38	\$ 74,255.94	\$ 75,006.00	\$72,800.00	\$ (713.38)
OT	\$ 63,011.61	\$ 63,648.09	\$ 64,291.00	\$72,800.00	\$ 9,788.39
ST	\$ 63,011.61	\$ 63,648.09	\$ 64,291.00	\$72,800.00	\$ 9,788.39
HHA	\$ 20,962.38	\$ 21,174.12	\$ 21,388.00	\$20,800.00	\$ (162.38)
MSW	\$ 52,509.84	\$ 53,040.24	\$ 53,576.00	\$52,693.00	\$ 183.16
Other Staff	\$ 30,764.36	\$ 31,075.11	\$ 31,389.00	\$36,505.00	\$ 5,740.64
<i>Note: 2012 and 2013 based on 1% inflation from 2014 as indicated in notes.</i>					

Tri-County projects virtually no MSW visits (6 total in the first three years of operation). This is a significant concern from a quality perspective as previously discussed. However, with respect to financial feasibility, that is a cost that is not considered in the provision of care for Beaufort County patients.

Tri-Counties projections are also fundamentally flawed in their expense projections. Tri-County projects its expenses on a fully volume variable basis as if it is an expansion of its existing agencies that serve the Columbia and upstate areas. The proposed agency will be a stand-alone agency that will not operate in a contiguous service area. Thus, projecting an incremental only financial pro forma is not appropriate. The proposed agency must reflect all expenses required for a new start up agency. Why there may be economies achieved in management services from the larger Tri-County operations, these economies do not apply to the local new agency. Costs calculated on a per visit basis for a 66,000 visit existing multi-county agency in the upstate do not fully reflect the costs required to operate a new single-county agency in Beaufort County with three offices.

The theoretically flawed basis for Tri-County's projections is further compounded by the fact that the visits per patient are incorrectly calculated for Beaufort County resulting in a further understatement of costs. The following table shows the visits per patient for the Tri-County baseline and the Beaufort County agency. As shown in the table below, visits per patient in the first year of operation are similar between the Tri-County baseline and the Beaufort County agency. Over the second and third years, visits per patient drop off dramatically for Beaufort

County, while they remain constant for the baseline projection. By year three, Tri-County project just 16 visits per patient, which is among the lowest of all applicants.

Comparison of Projected Visits per Patient

	2012	2013	2014
Beaufort			
Patients	131	283	459
Visits	2,503	4,975	7,350
Visits per Patient	19.11	17.58	16.01
Tri-County Baseline			
Patients	3,434	3,552	3,676
Visits	66,630	68,896	71,281
Visits per Patient	19.40	19.40	19.39

As a result of the declining visits per patient, the numerous expenses that Tri-County projects on a volume variable basis are understated in the second and third year. The expenses are likely understated first by the fact they are based on a much larger agency with economies of scale that do not reflect three office locations for just 459 patients. It is not reasonable that the relatively fixed non-salary, non-rent expenses per patient for a new start-up agency would be less than the baseline for the entire existing Tri-County agency. The expenses are understated again by the declining visits per patient in Beaufort County. The table below illustrates that expenses per patient decline by over 20 percent between 2012 and 2013 for Beaufort County, while expense per patient for the Tri-County baseline without Beaufort County increase by 4 percent annually, which is likely and reasonably due to inflation.

Operating Expenses Beaufort v. Baseline

<i>Beaufort</i>	2012	2013	2014
Non-Salary, Non-Rent Operating Expense	\$43,359	\$86,330	\$127,412
Visits	2,503	4,975	7,350
Patients	131	283	459
Expenses per Visit	\$ 17.32	\$ 17.35	\$ 17.33
Expenses per Patient	\$ 330.98	\$ 305.05	\$ 277.59

<i>Baseline</i>	2012	2013	2014
Non-Salary, Non-Rent Operating Expense	\$1,207,118	\$1,274,199	\$1,345,762
Visits	66,630	68,896	71,281
Patients	3,434	3,552	3,676
Expenses per Visit	\$ 18.12	\$ 18.49	\$ 18.88
Expenses per Patient	\$ 351.50	\$ 358.71	\$ 366.07

For each of the reasons detailed above, Tri-County's financial projections are fatally flawed and Tri-County has not demonstrated the financial feasibility of the project. Tri-County cannot demonstrate that its three office location proposal is cost effective or even feasible with its financial model and projections. When Tri-County's financial projections are corrected for salaries that are lower than Aiken, under-counted visits per patient, and expenses per patient that are at minimum equal to the baseline for Tri-County, the proposed project will likely lose over \$60 thousand per year in the third year of operation. **Tri-County does not meet this criterion.**

Gentiva best meets this criterion. SJC and UHC minimally meet this criterion. Liberty, NHC, Community, Interim, and Tri-County do not meet this criterion.

Attachment 4

Analysis to Support Project Review Criteria Evaluations

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Analysis of Referral Projections from UHC's Letters of Support

Physicians						
Bates Page	Physician Name	Current Annual Referrals	Projected New United Monthly Referrals	Projected New United Annual Referrals	Projected Total Annual Referrals	Projected Increase as a Percentage
361	Carl Derrick, DO	4	2	24	28	600.0%
362	Nicholas Dardes, DO	400	40	480	880	120.0%
363	Stuart Smalheiser, MD	0	3	36	36	N/A
364	Robert Bell, MD	24	2	24	48	100.0%
365	Lous F Plzak III, MD	4	2	24	28	600.0%
366	John B Adams II, MD	4	2	24	28	600.0%
367	John P. Baston, MD	Less than 5	The Same	-	5	0.0%
368	Illegible, MD	30	0	0	30	0.0%
369	E.J. Whelan III, MD	400	10	120	520	30.0%
370	James C. Judy, MD	10	5	60	70	600.0%
371	Eduard Docu MD	12	15	180	192	1500.0%
372	James H. Gualt, MD	30	10	120	150	400.0%
373	Tricia Etheridge MD	50	2	24	74	48.0%
374	Jeffery M Reuben, MD	6	6	72	78	1200.0%
383	John L. Brittis, MD	6	Less Than 1	0	6	0.0%
Other Providers						
Bates Page	Name	Current Annual Referrals	Projected New United Monthly Referrals	Projected New United Annual Referrals	Projected Total Annual Referrals	Projected Increase as a Percentage
377	Illegible	30	20	240	270	800.0%
378	Beth Heyward	12	2	24	36	200.0%
379	Jenny Martin	12	12	144	156	1200.0%
381	Ashley Wilson, ANP	12	1	12	24	100.0%
382	Melissa Porter, PA	10	5	60	70	600.0%
390	Cindy Burns	0	0	0	0	N/A
391	Illegible	15	1	12	27	80.0%
392	Illegible	20	1	12	32	60.0%
393	Diana Fell?	30	10	120	150	400.0%
396	Shelia Stevens	120	5	60	180	50.0%
405	Jackie Young	40	2	24	64	60.0%
406	Ann Jones	40	2	24	64	60.0%
407	Dean Smith	40	2	24	64	60.0%
408	James M. Hardy Jr	325	5	60	385	18.5%
409	Annette Delano	50	20	240	290	480.0%
410	Corenithia Fields	50	10	120	170	240.0%
412	Darren Duncan	500	15	180	680	36.0%
414	Mattie L Hayward	Not Listed	5	60	60	N/A
415	Marcia Jordan	3	2	24	27	800.0%
417	Diana Eason	120	6	72	192	60.0%
418	Tammy Siegner	2	2	24	26	1200.0%
419	Michelle Laidler	20	4	48	68	240.0%
420	Lara Williams	50	50	600	650	1200.0%
421	Blake MacIntyre, RN?	Not Listed	5	60	60	N/A
428	Claudia Slater	24	24	288	312	1200.0%

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Comparison of Start-Up Costs Submitted by All Applicants

Start-Up Cost Category	Gentiva	Interim	NHC	UHC	SJC	Community	Tri-County	Liberty
Office Furniture and Business Equipment	\$ 35,000.00	\$ 21,940.00	\$ 46,932.00	\$ 12,000.00	\$ 22,747.52	\$ 2,760.00	\$ 16,500.00	\$ 22,113.00
Computer Hardware and Software (including setup and installation)	\$ 45,000.00	\$ 4,500.00	\$ 23,068.00	\$ 12,200.00		\$ 12,940.00	Included in bus. Equipment	\$ 6,000.00
Improvements to Agency Office (to include Signage, decorating, remodeling)	\$ 100,940.00							
Fixtures counters, equipment and installation	Included in improvements							
Architectural Fees	\$ 2,500.00							
Starting Inventory, Raw Materials and Tools and supplies	\$ 29,635.00	\$ 3,600.00		\$ 785.00	\$ 5,427.51		\$ 4,100.00	\$ 2,500.00
Deposits with Public Utilities	Included in rent. \$	\$ 1,696.00		\$ 1,806.00		Included in Other	\$ 540.00	
Legal and Other Professional Fees	\$ 58,391.00	\$ 18,705.00						
Business Licenses and Permits	\$ 1,340.12	\$ 8,300.00				Included in Other	\$ 754.00	\$ 50,000.00
Advertising and Promotion	\$ 6,000.00			\$ 213.00		Included in Other		\$ 1,500.00
Business cards, stationery, brochures, other printing	Included in ads/promotion. \$	\$ 2,700.00			\$ 1,712.00	Included in Other	\$ 870.00	
3 Months Rent and Security Deposit	\$ 16,446.00	\$ 5,175.00	\$ 2,175.00	\$ 5,250.00	\$ 750.60	\$ 2,500.00	\$ 300.00	\$ 4,875.00
Studies or analysis or potential market, products, labor supply.	NA					Included in Other		
Salaries, wages, and benefits pre-opening and first three months								
Travel Expenses for first three months	\$ 187,406.00	\$ 34,565.00	\$ 33,438.00	\$ 41,977.00	\$ 12,179.55	\$ 21,521.00	\$ 2,916.00	\$ 23,180.00
Salaries and fees for consultants (CON preparation) or other executives	\$ 13,945.25	\$ 1,605.00				\$ 2,793.00	\$ 486.00	\$ 5,231.00
Other 1	\$ 30,000.00		\$ 15,000.00			\$ 20,000.00	\$ 55,500.00	
Other 2	\$ 2,400.00	\$ 1,300.00	\$ 5,000.00	\$ 5,000.00	\$ 10.00	\$ 34,365.00	\$ 202.00	
Total	\$ 529,003.37	\$ 104,086.00	\$ 125,613.00	\$ 79,231.00	\$ 42,827.18	\$ 96,879.00	\$ 83,168.00	\$ 115,399.00

Notes:	Renovation: Allowance in Letter of Intent to Lease. Actual Costs will likely be much less	Interest expenses: if equipment financed and not investor funded, assuming 7% interest	Other unspecified.	Other: Contingent	*Rent is only for 1 month. Other - Certificate of Authority	*Clinical salaries only for 2 months	Other includes DHEC fee and insurance.
					Total start up cost listed in additional information filing appears to be wrong, corrected number appears above		

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